John – Pls return to me after you're thru
D.

E. J. BRAY E. J. BRAY

Management RECORD

June 1958 • Vol. XX • No. 6

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NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

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SPECIAL ARTICLES

REGULAR FEATURES

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Management Record

June, 1958

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Vol. XX, No. 6

• In the Record •

Employees Vacation in Faraway Places

Not so many years ago only the rich could afford to take a European vacation. Today, in contrast, an increasing number of people with relatively modest incomes have taken a trip abroad or are planning to do so in the near future. In line with this, low-cost chartered flights and tours, sponsored by a particular employee club for its members, have become increasingly popular vacation fare in many companies.

These employee organizations, which range from purely recreational groups to foremen's clubs, make all the arrangements for the flight and sometimes a land tour. While the companies themselves do not sponsor the trips, they often do assist the sponsoring group in its work.

Preparations must cover such matters as destination of the flight, duration of the trip, cost, and whether it is to be limited to the charter flight or include a guided land tour as well. All these aspects of employees vacationing abroad are discussed in the article starting on the next page.

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Controlling Labor Costs

In a period of economic recession, the term "controlling labor costs" is often interpreted to mean cutting labor costs —sometimes to the bone. Of course, controlling labor costs does not necessarily mean cutting them directly. Nor should this control consist in panic-inspired actions taken when profits start dropping.

Rather, controlling labor costs should be every management's constant concern—in good times as well as in bad. It should mean a carefully conceived, well-thought-out program that has as its goal the greatest possible return on every payroll dollar the company spends. In other words, top efficiency.

But how do you get it? The old saw that you have to spend money in order to make it is particularly applicable here. Take the company that has provided a preventive medical program for its employees at a considerable outlay. Should this be dropped because profits are falling? A careful check may reveal that the program is responsible for a significant decrease in absenteeism and that it has made a major contribution to employee morale. In other words, close inspection shows the medical program is *saving* the company money.

The same may be true of merit increases. The company that budgets for such pay rises in slump periods as well as good ones may find it pays off in keeping a loyal, efficient staff operating at top productivity.

Two three-part Round Tables appear in this issue on the subject of controlling labor costs. In the first (starting on page 201), Don F. Copell discusses "Production Wage Cost Controls"; John H. Holzbog's subject is "Office Salary Cost Controls"; and A. D. R. Fraser writes on "The Medical Department's Role in Reducing Costs and Bettering Employee Relations." In the second Round Table—on the overall subject of controlling fringe benefit costs—Geoffrey N. Calvert discusses "Cost of Living Pensions"; Earl S. Willis writes on "Major Medical Insurance"; and Joseph R. Shaw's subject is "What's Happening to Workmen's Compensation." This Round Table starts on page 211.

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State Temporary Disability Insurance Programs

All states have workmen's compensation laws and unemployment compensation systems, but no state had a program to cover workers who incurred a disability not connected with work until 1942. In that year, Rhode Island instituted a program to protect workers who cannot work because of nonoccupational illness. And since then, California, New Jersey and New York have set up similar plans.

Perhaps the most important difference among the four state systems lies in their treatment of private plans. In Rhode Island, the state program ignores the existence of any private insurance, while at the other extreme New York's system is for all practical purposes compulsory private group insurance. However, the four plans are similar in that they all make provision for employee contributions.

The article, which starts on page 223, discusses how the plans operate, and it describes in detail each state's arrangements for employer contributions, eligibility, coverage and benefits.

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Labor Press and CPI

What has the UAW done to cut operating costs in the face of a sharp decline in revenue? In "Labor Press Highlights" (page 230), the financial problems of this union are reported on as well as the steps Walter Reuther has initiated to lower the UAW's operating costs.

In "Consumer Prices Higher Still," our rising price level is catalogued both in terms of the previous month and year-ago levels. A special section is devoted to newspaper and magazine prices since 1953. This article starts on page 232.

Employees Off to Faraway Places

Many employee clubs are chartering flights and planning vacation tours for their members, with trips to Europe and Hawaii increasingly popular today

GONDOLA RIDES in Venice, ferry boat excursions across the fjords of Norway, and jaunting car trips around Ireland's Lakes of Killarney will be 1958 vacation memories for some employees of American companies.

The opportunity to stroll along Les Champs Elysées in Paris, watch the changing of the guard at London's Buckingham Palace, gaze at the ancient art and cathedrals of Italy, or swim in Hawaiian waters at Waikiki Beach is being offered to increasing numbers of employees by company clubs that charter planes to provide transoceanic tours at minimum cost. This practice is growing in popularity and is usually initiated by the employee club with the approval of management.

Among the ten companies queried by The Conference Board, the employee groups that sponsor such trips range from various activities committees to foremen's clubs. At General Electric Company's Lamp Division in Nela Park, Cleveland, Ohio, a travel club is the sponsor of two 1958 European trips; the Whitney Club, an employee social and recreational organization, is sponsoring two overseas trips for General Electric's Research Laboratory employees in Schenectady, New York. An employee activities committee is arranging a tour for those who work at The Goodyear Tire & Rubber Company of Akron, Ohio, and "girls" clubs are responsible for employee tours at the Edison Company in Detroit and the Aetna Life Insurance Company in Hartford, Connecticut.

Other sponsoring groups are a travel club of Thompson Products, Inc., Cleveland; the Foremen's Club of the B. F. Goodrich Company, Akron; the Ford Employees Recreation Association at Ford Motor Company, Detroit; and an employee social group at Grumman Aircraft Engineering Corporation in Bethpage, Long Island.

CHARTERING THE PLANE

When an employee group decides to sponsor a flight, it contacts one or more overseas airlines for quotations on cost. The charter price quoted by the airline is determined by the type of plane, a published rate per mile, the cost of the charter and the federal tax. To this is added a ferry charge—the cost of returning the empty plane to a point where it can pick up another passenger load. This ferry charge might be half the cost of carrying a full plane load. The chartering group then divides the total cost by the number of seats in the plane to determine the charge per individual.

The price varies according to the destination of the plane. Some charter groups make Rome their first stop; some start their tours in London; some in Amsterdam. The destination may also determine the choice of an airline. Although all lines have landing rights at most European airports, they have plane service facilities only along their normal commercial routes. Thus if a club wants to land at an airport not on the line's regular route, the cost of the chartered plane would go up.

FILLING THE PASSENGER QUOTA

In most cases, members of employees' immediate families as well as retired company employees are eligible for the flights. But these are the only additional individuals permitted on chartered group flights according to regulations of the Civil Aeronautics Board. Even the inclusion of retired employees must meet special CAB requirements.

However, the CAB restriction has not been a noticeable deterrent to filling the passenger quotas this year, even though it is a period of recession and the second year some employee groups are offering European excursions. In some cases not only is the passenger quota filled but standby applicants are waiting for cancellations. Among the ten companies queried by the Board, two reported cancellation of a flight due to lack of enough applicants.[1]

Two 1958 European trips are scheduled by the Ford Employees Recreation Association: one starts July 18 and ends August 8; another will run from September 20 to October 12. In addition, the Ford group has planned a holiday in Hawaii from October 18 to November 1.

A journey to Hawaii from October 31 to November 17 is the plan, also, for the second 1958 charter flight of the Aetna Life Girls Club. The club's other trip this year was in May, and the tour covered Italy, Monaco, Spain and Portugal. The Aetna club also sponsored a 1957 trip to Europe.

[1] The lack of participation in one company was attributed to economic conditions. This employee group plans to try again next year if economic conditions improve.

In two other companies there are enough participants in a European trip to assure two plane loads. At Thompson Products some cancellations and substitutions have occurred, but no real difficulty was encountered in obtaining an approximate 170 people for their two plane loads. The first group leaves the Cleveland airport July 25 for Paris and returns August 21. The second departs July 29 and returns August 26. Most passengers in these groups are couples.

General Electric employees also have scheduled two flights. The ninety-seven-passenger planes will leave July 5 with personnel from the Research Laboratory. One plane will land in London and make the return flight from Paris; the other will take its passengers to Rome and pick them up in Brussels for the return trip. Both plane loads will return July 19. The Nela Park Travel Club which has scheduled two 1958 European trips—one for two weeks and the other for three weeks—also sponsored two flights for 192 people in 1957. In addition, this club has scheduled trips to Nassau and the Caribbean.

The Goodyear Tire & Rubber Company's employee committee was surprised at the ease with which its required ninety-seven-passenger quota has been filled.

Grumman Aircraft Corporation employees, who sponsored their first flight in 1957, encountered some difficulty in filling the quota this year but not enough to change their plans.

The B. F. Goodrich Foremen's Club is another group that sponsored a trip in 1957 and has experienced no trouble in filling the ninety-seven-passenger plane this season.

COMPANIES HELP WITH PLANS

The companies involved are usually content to approve the action of the clubs, but they do not look upon these trips as part of their planned recreation or vacation programs. (Some companies require participating employees to sign a release absolving the company from any responsibility.) Nevertheless, the companies may help the employee groups with arrangements. Or they may permit employees to make arrangements on company time. And some companies make their legal counsel available for consultation.

Companies do this because they find it is good employee relations. Among their comments on providing assistance for the charter flights are the following:

> "We believe that employee club recreation is good for any company. It affords our employees an opportunity to broaden their educational background and also gives them a time of group fellowship."

* * *

> "We think the company derives great employee good will through cooperating with these low-cost excursions."

* * *

> "We feel this [club trip] is good employee relations because it provides our people with the opportunity to visit friends and relatives in Europe at nominal cost."

Companies are usually able to offer their help because their office facilities can absorb the additional temporary duties without much difficulty. One company says:

> "Because of the tremendous amount of organizing, correspondence, and administrative detail involved, employee committee members cannot find enough spare time to handle the work load. In addition to the paper work involved, meetings are held for prospective travelers to discuss information about passports, visas, vaccinations, clothing, foreign exchange, foreign purchases, etc."

At General Electric's Lamp Division in Nela Park, company personnel charter the plane, choose a travel agent, collect funds for the trip, handle publicity within the company, and act as an information clearing house for the Nela Park Travel Club. At the GE Research Laboratory, the Whitney Club handles all arrangements, but its permanent full-time executive secretary is paid by the company.

The activities office at Thompson Products is handling all administrative details for the employee trip. This is true, also, at The Goodyear Tire & Rubber Company. The Detroit Edison Company cooperates by permitting the Girls Club chairman to handle details on company time and by inserting announcements about the trip in employee pay envelopes. The recreation departments of Grumman Aircraft Engineering Corporation and The B. F. Goodrich Company assume charge of trips for their employees.

The Ford Employees Recreation Association starts plans for its travel program in September of the preceding year. At that time, the association's executive board plans the tentative program and sends requests for bids on specific trips to the airline carriers and travel agencies.

When this travel program was first initiated, the company's recreation office handled all administrative details. Now, once the charter for the trip is signed, administrative detail is turned over to a travel agency. A company spokesman explains this change: "Experience has taught us that the questions asked by the individual employee concerning travel details can be better answered by those in the business." However, the personnel of the recreation department still help employees secure passports and visas.

A similar arrangement—that of turning details over to a travel agency once the initial plans are made—is followed by the Aetna Girls Club.

ALL-EXPENSE TOURS?

When an employee and his family sign up for a trip to Europe on a chartered plane, will they want to make the land tour with others in the group or will they prefer to travel independently? Will they, perhaps, want to leave the group and spend some time with relatives in Europe or pursue some other special interest?

Decisions regarding the individual travel plans of people participating in these charter flights are determined by the kind of arrangements made by the group planning committee. The journey may be planned as an all-expense trip, for example, with the same itinerary for all. Or it may be planned as a laissez-faire policy whereby people can make their own arrangements. It may even offer the traveler the choice of participating in the all-expense tour or traveling independently.

An all-expense tour has been planned by all company groups providing information to THE CONFERENCE BOARD. One sponsoring group explains: "From our limited past knowledge, the majority of persons prefer to go on a planned trip."

However, in five cases the all-expense tour is optional and employees may join only the flight and be on their own in Europe. The B. F. Goodrich Foremen's Club gives the traveler three choices. He may sign up for only the plane trip; he may join the tour but leave it at any point and rejoin it at any point; or he may spend his entire time with the tour group. The other companies whose employees have a choice are the Ford Motor Company, Aetna Life Insurance Company, Grumman Aircraft Corporation and The Goodyear Tire & Rubber Company. At Goodyear, twenty-seven of the ninety-seven travelers plan to tour Europe on their own.

In two other cases, participants may leave the tour to be on their own part of the time, but they must pay the entire tour cost as well as their additional expenses.

THE COST OF TOURS

Examples of the cost of some all-expense trips follow: For $580, one midwestern charter flight trip lasting two weeks will cover all expenses except five meals in London and five in Paris. The itinerary includes visits in France, Switzerland, Germany, Belgium, Holland and England.

Another all-expense eighteen-day trip starting from New York has Rome as the first stop. This trip includes a conducted tour through Austria, Switzerland and France. The cost of the entire trip is $563; for those preferring to travel independently, the flight fare alone is $304.

The cost of a three-week all-expense trip already concluded from a midwestern point was $815. This included transportation, hotel, and two meals a day; it covered Italy, Switzerland, France and England. In this group, persons who wanted to visit other countries could do so at an additional expense.

A two and one-half week trip to southern Europe (departing from the east coast) will cost $624 for participants. This includes all expenses except a few meals. The fare alone is approximately $300.

A complete three-week tour of England, Belgium, Germany, Switzerland, Italy and France, including transportation, hotels, sightseeing trips and most meals, is costing another midwestern group $728 apiece.

NO VACATION PROBLEMS ENCOUNTERED

The question occasionally arises: What if too many employees from one department decide to take the trip—thus leaving the department understaffed?

This possibility has not become a problem for any of the cooperating companies. In two cases—Thompson Products and General Electric at Nela Park—the trips have been deliberately planned for the regular summer vacation shut-down of the plant. In cases where two or more trips are scheduled for different times, the problem (if it should arise) could be easily solved.

Aetna Life Insurance Company explains:

> "The number going on the trip is not sufficiently large to have any effect whatsoever on the company's vacation schedule. Many times this number customarily are absent on vacations in any given week from May 1 through October. We have not as yet experienced the possible difficulty of having many employees from the same department go on the trip."

B. F. Goodrich Company says the departure of its group should not create a problem because the fifty employees who will take the journey are scattered among approximately 12,000 persons. "Most of these employees are entitled to three weeks' vacation and would be away from their jobs at that time anyway," a company representative states.

Of the forty-nine passengers taking the trip sponsored by the Detroit Edison Girls Club, many are family relatives so the actual number of employees on the trip is not great enough to disrupt company operations. And 25% of the ninety-seven people in the Grumman employee flight also are family members so the company anticipates no problem.

EMPLOYEE EXCURSIONS NOT NEW

The idea of employee excursions is not new. But in the past domestic jaunts rather than transoceanic flights were the vogue. And some were only for weekends or single days. Occasionally, the excursions took employee groups to nearby countries and islands.

Thompson Products' employees have had tours to Miami, Canada, Chicago, and Niagara Falls as well as excursions to football games in Detroit and Pittsburgh. The Detroit Edison Girls Club has sponsored weekend jaunts to New York, Washington and Cleveland. And its Ski Club arranged for trips of one and two weeks to Aspen, Colorado and Sun Valley, Idaho.

The B. F. Goodrich Foremen's Club has sponsored Bermuda and Mexico journeys in addition to various domestic excursions. The Ford Employees Recreation Association likewise has planned other tours.

DORIS M. THOMPSON
Division of Personnel Administration

Controlling Wage and Salary Cost Factors

Although the proportion of total pay being allocated to fringes is rising faster than base pay, no one should underestimate the impact of mounting wage and salary costs on a company's profits. Today, the firm that wishes to continue to prosper faces the problem of how to realize a greater return on every payroll dollar it spends. This involves such basic matters as stepping up productivity and controlling wage and salary costs. A panel, chaired by Van H. Viot, Vice-President of Employee Relations for the Crucible Steel Company of America, looks into the various measures that management can take to ease the burden of rising wage costs. Included in the panel are:

- **Don F. Copell, Vice-President of Manufacturing, Wagner Baking Corporation**
- **John H. Holzbog, Director of Industrial Relations, Otis Elevator Company**
- **A.D.R. Fraser, President, Rome Cable Corporation.**

Production Wage Cost Controls

by Don F. Copell

TODAY, labor represents one of the biggest cost elements in business. At the same time it has become one of the most rigid and difficult costs to control. As a result, the effective use of the work force and the wisest spending of every payroll dollar is our most challenging problem today.

We know that the high standard of living we are now enjoying has arisen out of the struggles, disappointments and new ideas of the past. Likewise, we might well remember that the fortunes of the future will have to come out of the new ideas as well as the waste and inefficiencies of the present.

From experience, we have learned that no war, no strike, no depression, can so completely, so irrevocably destroy a going business or its profits as can better tools, better methods, and better-trained people in the hands of an enlightened competitor. Today, you cannot get increased efficiency by the old-fashioned speed-up. Unionization, among other factors, has changed workers' attitudes. Only within narrow limits can you force employees to produce more. If you want real improvement, you must get people's voluntary cooperation.

Successful labor cost control is, to a great extent, the result of internal climate. I emphasize the internal organizational climate because, without it, the job can't or won't be done, and the only tangible product of your efforts to control labor costs will be wasted words and jangled nerves.

Cost reduction to be effective must be all embracing. One of the reasons why many supervisors and workers are unwilling to make suggestions for cost reductions is because experience has taught them that it does not pay to be a pioneer and that changes too often mean extra work or undeserved criticism.

Many years ago, Charles Schwab aptly said: "I am a firm believer in the fact that men do their greatest accomplishments by proper encouragement, not by criticism." You can praise a weak body into strength, a fearful heart into peace and trust, or a failing business into prosperity and success, but you can't force one single idea through a quarter inch of human skull.

It is difficult when one is tangled up in the problems and doubts of the present to see the hope or rewards that lie in the future. Today we are at the beginning of the most promising period in our history; but we are also facing the most destructive, the most fiercely competitive battle in our business history. In this struggle somebody is going to get hurt. That somebody is the fellow who doesn't know what he is doing, who doesn't realize that you can't do business today with yesterday's methods and hope to stay in business tomorrow; it is the fellow who doesn't realize that people are like bank accounts—it is necessary to make a deposit in the bank of human relations before one can hope to make a withdrawal.

Before we return to the subject of human relations, let's consider profits briefly. If profits are low, there are some fundamental means by which they can be increased. These are:

1. By increasing prices.
2. By increasing the volume of sales. This may be done in a number of ways such as:
   a. redesigning the product, or the package, to make it more attractive; or
   b. lowering the price of the product.
3. By increasing workers' productivity in shops, in offices,

and in the field. This may be accomplished by eliminating waste of man-hours and material. In other words, by making a better product at a lower cost so more and more people can buy it.

Let us here and now bury the malicious fallacy being voiced by many businessmen, labor leaders and politicians that it is the function of business to furnish or create jobs. From an economic and a management angle, such a statement is unadulterated nonsense. Let's be honest and admit that it is the duty, responsibility, and function of good, sound industrial management to continually decrease the number of man-hours required to produce any product or service.

In the last few years, we in America have learned that the prosperity of business generally means prosperity for all the people. Very few businesses can long prosper unless they learn to make more and better goods at lower costs. This means the maximum utilization of every man-hour.

If we want to drive the standard of living down to that of less developed countries, we should dig our modern highways with teaspoons and thus "make" jobs for everybody in this country. But if we want to continue to make real progress, and create more jobs, if we really want to raise our standard of living to new heights, we had better learn to devise new and better methods to make new and better products and sell them at lower costs so that more and more people want, and can afford, to buy them.

Our outstanding problem today is not just to provide more training or education but to get from manpower the ability it already possesses, but does not use because it does not want to use it. Experience has taught us that people will only give their active cooperation and enthusiasm to a job if they believe they, as well as the company, will profit from it. This is the basic theory of human behavior in industry.

There is no doubt that to create cost consciousness throughout an organization is a difficult job. However, after years of experience with cost-control programs, I am fully convinced that all labor costs can be reduced by closer supervision; that any company, large or small, could reduce its costs 5%-10% or more if it really wanted to.

You may say it can't be done. My revered father in Switzerland used to say, "The only thing that cannot be done is to go through a revolving door with skis on."

Now, let me briefly recite what we did at the Wagner Baking Corporation to control labor costs through creative methods improvements. First, I went to the world-famous Mogensen Work Simplification Conference at Lake Placid. That took six weeks and $3,000 of my hard-earned money. Today, I would gladly pay $30,000 for that schooling and call it a bargain, because I learned more in those six weeks about effective cost control and integrated, result-producing work simplification than I did in all the twenty years of schooling and practice before.

WHY WORK SIMPLIFICATION?

To achieve uniformity and simplification of operations and procedures; to eliminate overlaps and duplications of functions and efforts, and to effect maximum utilization of manpower, equipment and materials.

HOW?

STEP I.—Pick a job to improve.

1. Look for bottlenecks.
2. Examine job giving trouble.
3. Tackle first things first.

STEP II.—Break down the job.

1. List all details of the job exactly as done by the present method.
2. Be sure details include all:
   —Material handling.
   —Machine work.
   —Hand work.

STEP III.—Question every detail.

1. Use these types of questions:
   Why is it necessary?
   What is its purpose?
   Where should it be done?
   When should it be done?
   Who is best qualified to do it?
   How is the "best way" to do it?
2. Also question the:
   Materials, machines, equipment, tools, product, design, layout, workplace, safety, housekeeping.

STEP IV.—Develop the new method.

1. Eliminate unnecessary details.
2. Combine details when practical.
3. Rearrange for better sequence.
4. Simplify all necessary details:
   —Make the work easier and safer.
   —Pre-position materials, tools, and equipment at the best places in the proper work area.
   —Use gravity-feed hoppers and drop-delivery chutes.
   —Let both hands do useful work.
   —Use jigs and fixtures, instead of hands, for holding work.
5. Work out your idea with others.
6. Write up your proposed new method.

STEP V.—Apply the new method.

1. Sell your proposal to the boss.
2. Sell the new method to the operators.
3. Get final approval of all concerned on safety, quality, quantity, cost.
4. Put the new method to work. Use it until a better way is developed.
4. Give credit where credit is due.

Later on we had Allan H. Mogensen, the father of work simplification and director of the Lake Placid and Sea Island conferences, personally talk to our officers, executives and managers. Our program got off to a flying start with top management's full backing.

Then we gave all our managers and supervisors twenty-five two-hour sessions in work simplification. We further gave all gang leaders and straw bosses fifteen one and one-half hour sessions.

We used 68,000 feet of film to liven up our program. About 15,000 feet of this was film we shot ourselves of our own operations. We have sent over seventy supervisors to all kinds of schools. There isn't a month when I don't sign some appropriation for a couple of supervisors to attend some training course. And we continually have outsiders come in and teach us more about cost control, work simplification and human relations.

Every year, for the last few years, I have personally attended a work simplification refresher course, conducted by Mr. Mogensen, to keep myself up to date and recharged. For I have found that just like a battery, your cost reduction program needs continuous recharging.

Now, what is work simplification? Work simplification is a methodical, scientific analysis of men, materials, methods, space, and equipment used in the performance of all operations. Work simplification is a field—a way of thinking, a philosophy—not a package. A field is not discovered, it is developed. It is never static, but always dynamic. Work simplification attempts to simplify the heretofore complex science of efficiency to such a degree that everybody can understand it and use it. In short, *work simplification proposes that each employee be made responsible for, and capable of, policing the efficiency of his own job.* This means that management must insure that the employee has been provided with the necessary training to make him capable and willing to carry out this responsibility.

A good work simplification program, as conceived, advocated, taught, and practiced by Mr. Mogensen, should help us all to do a better job by:

1. Bringing key men together for discussion and an exchange of ideas.
2. Developing an alert, open-minded, questioning attitude on the part of each program member.
3. Assisting us to uncover and eliminate any wasteful practices which take time we might otherwise spend on the development of more effective procedures.

Dr. Carl Compton of MIT used to say: "A man's progress is made possible by or limited by the tools at his disposal." Therefore, if you want your organization to control your wage cost you must supply the necessary tools to your supervisors and workers.

The best tool we have found so far in our organization is Mr. Mogensen's original work simplification program, which we constantly bring up to date. It works for us and will produce results for you because it is based on the sound, proven principles of participation (getting everybody into the act) and consultation from within—getting ideas from the man on the job because he knows the most about it, and is, therefore, the most logical one to suggest improvements.

The philosophy of work simplification is based on

Work Simplification

Four Freedoms from Work Complication

THE SIMPLEST WAY	THE EASIEST WAY	THE QUICKEST WAY	THE SAFEST WAY
1. Makes the job easier to teach and easier to learn.	1. Requires less effort.	1. Increases speed without hurry.	1. Simplification makes job safer.
2. Reduces the amount of skill required.	2. Has advantages where those less physically able are concerned.	2. Gets more production in less time.	2. Orderly work place is most efficient and safest.
3. Reduces extent of work area.	3. Reduces fatigue.	3. Reduces man-hours required.	3. The safest way is the best way.
4. Reduces make-ready or put-away time.	4. Increases employee's confidence in his ability.	4. Increases job interest through pride in increased production.	4. When you eliminate hurry, safety increases.
5. Increases job comfort.	5. Job interest is more readily developed.		

WORK SIMPLIFICATION IS SEEKING THE "ONE BEST WAY" TO DO THE JOB

WORK SIMPLIFICATION CHART*

IDENTIFICATION		SUMMARY	PRESENT METHOD	PROPOSED METHOD	DIFFERENCE
SUBJECT CHARTED	9" Restaurant Pies	NO. OF OPERATIONS	15	11	4
		NO. OF TRANSPORTATIONS	9	6	3
OPERATION	Making and Baking	NO. OF STORAGES	2	2	–
DRAWING NO. / PART NO.		NO. OF INSPECTIONS	1	1	–
CHARTED BY	Stephen Howell	DISTANCE TRAVELLED	448'	80'	368'
CHART NO.	1 SHEET NO. 1 OF 1	PRODUCTION PER HOUR			
DATE	October 12, 1950	OPER. TIME OR BEST CYCLE			
PLANT		MACH. TIME OR BEST CYCLE			
DEPARTMENT		OPERATOR EFFECTIVENESS – %			
MACHINE TYPE		MACHINE EFFECTIVENESS – %			
MACHINE NO.		LABOR COST PER			
INST. COST OF PROP. METHOD		MATERIAL COST PER			

DESCRIPTION OF ☒ PRESENT METHOD ☐ LEFT - HAND ☐ MAN

DESCRIPTION OF ☒ PROPOSED METHOD ☐ RIGHT - HAND ☐ MACHINE

Symbol columns: OPERATION, TRANSPORT., STORAGE, INSPECTION; SYMBOL, DISTANCE TRAV., STORAGE MIN.; TIME IN MINUTES

No.	Description of Present Method	Distance	Time in Minutes	Time in Minutes	Distance	Description of Proposed Method	No.
1	PIE PLATE ON TABLE					TIN PLATE ON TABLE	1
2	PIE PLATE PUT ON MACHINE					PIE PLATE PUT ON MACHINE	2
3	CRUST PUT INTO TIN					CRUST PUT ON TIN	3
4	TO PIE FILLER	4			4	TO PIE FILLER	4
5	PIE FILLED					PIE FILLED	5
6	TO TOPPER	2			2	TO TOPPER	6
7	TOP CRUST PICKED UP					TOP CRUST PICKED UP	7
8	CRUST PUT ON PIE					CRUST PUT ON PIE	8
9	TO PIE TRIMMER	1			1	TO PIE TRIMMER AND CRIMPER	9
10	TO CONVEYOR	3			3	TO CONVEYOR	10
11	TO INSPECTION	5			5	TO INSPECTION	11
12	PIE PLACED ON SCALE					PICK UP PIE & PUT ON SCALE	12
13	PIE WEIGHED					PIE WEIGHED	13
14	PIE TAKEN FROM SCALE					PIE TAKEN FROM SCALE	14
15	PIE PUT ON CONVEYOR					PIE PUT ON CONVEYOR	15
16	TO CRIMPERS	50				PIE PUT IN GAS OVEN	16
17	PIE CRIMPED				60	TO END OF GAS OVEN	17
18	TO PICK-UP RACK					PIE REMOVED FROM OVEN	18
19	PIE PUT INTO RACK					PIE PUT ON RACK	19
20	PIE RACK PUSHED TO OVEN	90			5	RACK PUSHED TO STORAGE	20
21	PIE TAKEN FROM RACK						21
22	PIE PUT ON PEEL						22
23	PIE PUSHED INTO OVEN						23
24	AROUND IN ROTARY OVEN	228					24
25	PIE REMOVED FROM OVEN						25
26	PIE PLACED ON RACK						26
27	PIE PUSHED TO STORAGE	5					27
28							28
29							29
30							30
31							31
32							32
33							33
34							34
35							35
36							36
37							37
38							38

CAN IT BE ELIMINATED?

CAN IT BE COMBINED?

CAN THE SEQUENCE BE CHANGED?

CAN IT BE SIMPLIFIED?

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REMEMBER THERE IS ALWAYS A BETTER WAY

the theory that everyone has plenty of ideas; one doesn't have to be an engineer to suggest ways and means of improving jobs or reducing all kinds of costs —not just production labor costs.

But to get results, you have to get started right. Like human beings, ideas must be nursed, babied and motivated by patience, enthusiasm and devotion. It is important to remember that more good ideas have been killed or crushed to death than have died of their own demerits.

Now, let me summarize what I have tried to get across.

1. Be sure your program is properly introduced into the organization and that the organization is ready for it. By that I mean that top management must be sold on it and must enthusiastically and whole-heartedly support the program before you can expect your organization to produce results. Lip service won't do, directives won't do, but if the boss gets into the act—often, actively and willingly—this should help.

2. Don't introduce your program too fast. Don't push it faster than your organization can absorb it, or the resistance to it will be greater than your enthusiasm to get it started. You can't change an organization overnight that has been doing the same thing, the same way, for twenty-five years.

3. Never start a program in a disturbed atmosphere of management or labor trouble. When too many new ideas, methods, machines or changes are brought up at the same time, or at the wrong time, your organization may develop a case of "organizational indigestion," giving your program little chance to develop or even live.

4. Tell your employees why cost reduction is important and why you need their help in reducing costs. Use figures, facts, charts, competitive samples and valid reasons. Get everybody into the act. Practice real participation and true consultation.

5. Find out what your employees are thinking. This is extremely important, because without a proper mental attitude on the part of your workers and the union behind them, you will never get enthusiastic cooperation.

We must know what our employees like, and don't like. We must know what they understand and what they fear. In other words, do they trust management to do the right thing, the fair thing?

Millions of workers want to do a better job. Given a reason why, and the opportunity to help decide how, they can and will help you get results from your cost reduction program, provided there is something in it for them.

6. If there are unfavorable conditions in your plant, correct them as expeditiously as possible. Prove by deeds, not just talk, your sincerity in providing ideal working conditions, first. However, if you have conditions that can't be changed immediately, tell your supervisors and workers the full story. They will understand and cooperate with you.

7. Follow through and follow up. Needless to say, no program of any kind will work unless you do! You won't leave footprints in the sands of time by sitting in your office. You have to go out into the shops, to see, to help, to consult, to advise those you want to reduce costs for you. You have to be like a catalyst; you have to carry ideas from department to department and then make them jell into actual savings.

8. Have your supervisors attend conferences frequently. Many universities and other groups conduct courses in cost reduction and control.

9. Show them the results of their efforts while they are current. Do it promptly even if you have to dig out the figures yourself. Of what possible interest would the results of the last World Series be to you now? So how in the world can we maintain interest or create enthusiasm with stale post-mortem figures?

10. Set up a timetable for projects. If you set up a timetable for accomplishment, your program has to run on time, and you have to check it regularly and let people know you're doing it.

11. Compliment employees for a job well done. Be

To aid us in questioning the WHY of the job, and EACH DETAIL of the job, use these five reminders

WHAT is done?	WHY is it done at all?
WHERE is it done?	WHY is it done there? Where should it be done?
WHEN is it done?	WHY is it done then? When should it be done?
WHO does it?	WHY does this person do it? Who should do it?
HOW is it done?	WHY is it done this way? How should it be done?

The mind is like a parachute . . . it works only when open

The largest stumbling block to simplifying work does not lie in the technical field. Rather, it is in the minds of people doing the work who feel they are already using the best possible method.

The minute you say a job cannot be improved, you are through . . . no matter how much you know and even if you are an expert.

Someone knowing nothing about it, but thinking it can be improved, is now a better man for the job than you.

sincere about it. Don't just pat people on the back when you want them to cough up something.

12. Keep getting the supervisors together for review sessions on cost reduction.

13. Call in outsiders to discuss specialized problems. This will put new life into your organization. And you should go out and help others in the same way.

14. Don't let suggestions accumulate. Take care of them pronto. There is nothing more discouraging for a worker than to have to come and ask about a suggestion he put in a month or a year ago.

To get and maintain creative method improvement throughout an organization involves three basic requirements:

- The first is covered in Ed Markman's famous poem:

"We are all blind, until we see
That in the human plan
Nothing is worth the building
Unless it builds the man.
Why build these cities glorious
If man unbuilded goes?
In vain we build this world
Unless the builder grows."

- We need to get every member of our team to think in terms of helping us build a cathedral instead of just putting up bricks or just doing a job for $22 a day.
- Last, but not least, reducing cost in an established organization can be likened to a piece of iron. If you throw it into the water, it will sink. But if you first work on it, flatten it out, and form it like a shell, then it will float. And if you work on it some more and shape it like the hull of a ship, that very same piece of iron will eventually carry weight for you.

Let's look at the thing in another way. Raw ore is worth $10 a ton. Sheet metal is worth $100 a ton. Gears are worth $1,000 a ton. Razor blades are worth $10,000 a ton. Watch springs are worth $100,000 a ton. The difference in value is brought about by work.

To conclude, I might say that there is no security in business today—only unlimited opportunities for all of us to harness the millions of ideas and suggestions stored in the minds of all the people around us and to make them work to all our advantage.

Office Salary Cost Controls

by John H. Holzbog

OVER THE LAST forty or fifty years, there has been a tremendous increase in the ratio of white collar employees to factory workers. Not too long ago, the office force of a small company consisted of the manager (who was probably the owner), a bookkeeper, a stenographer, and possibly a clerk. That was the entire office force.

Today, the situation has changed completely. It is estimated that there are now about 18 million white collar workers in the United States. This represents a 52% increase for just the ten years since 1947. During the same period, the number of factory workers is estimated to have increased only 5%. There is every indication, moreover, that the demand for white collar workers will continue to grow. Obviously, this makes office salary controls of great importance.

An analysis of our company (Otis Elevator) reveals that at this time the salaried payroll—that is, the white collar group—represents about 40% of the total payroll. This is a high percentage for a manufacturing operation.

Many factors have led to this situation. The stepup in the use of automatic machinery, both in the factories and offices, has tended to increase the number of white collar workers. Then again, the passage of new laws and revisions of existing laws have made it necessary for management to keep adding to its clerical, stenographic, and technical staffs in order to establish and maintain the reports and records required by these laws. The growth of fringe benefits and other nonwage compensation has also demanded more paperwork.

All of this has meant a tremendous increase in the so-called nonproductive labor overhead. This increase makes it necessary to establish effective salary cost controls if we hope to keep our companies on a sound operating basis.

How do we go about setting up such controls? First, let's consider what factors comprise these costs. There was a time when the salary payroll equaled total salary costs. But today there are other items to consider. Many fringe benefits have entered the picture—such as holiday pay, vacation pay, group insurance, pensions, Social Security, unemployment compensation, workmen's compensation, paid sick leave, overtime, military leave, bonuses, profit sharing, and stock purchase plans.

It is difficult to get an accurate picture of the cost of these fringe benefits. In our company we know that the cost of fringes is now equivalent to over 30% of our total salary payroll. In other companies, the percentage may be even higher. Certainly, therefore, fringe

benefits should not be overlooked when we consider office salary costs.

Unfortunately, there is no new magic formula for controlling such costs. There is, however, a logical approach to the problem that will uncover sizable savings. Too often, salary costs get out of hand because we do not take the time to determine whether our present methods might be improved. It would seem, then, that in establishing adequate salary cost controls we should start with a thorough analysis of our present practices. This analysis, in order to produce real results, must leave no stone unturned; it must be carried out division by division, department by department, section by section, and job by job.

Here are four steps you may find helpful in your efforts to control salary costs in the office. First, challenge the necessity of each operation. Is it something that is nice to have but not really essential? For example, take a close and honest look at the many reports that are prepared and liberally distributed. Can some of these be eliminated without being missed?

And, have you ever thought about the amount of time and space that is being wasted in filing material that isn't needed? A casual inspection of many four-drawer file cabinets could lead to the discard of more than half their contents. A campaign to get people to think more about the material they toss in the basket for filing could lead to great savings.

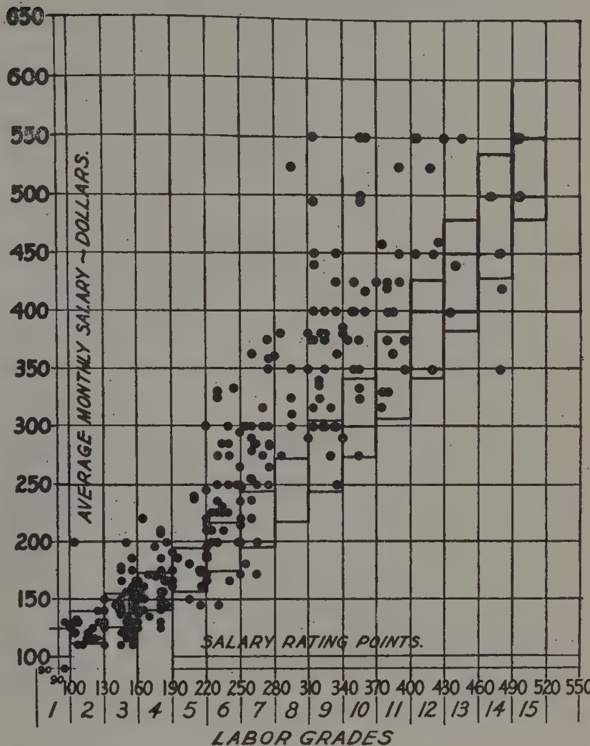
But you need not stop there. Even when only proper materials find their way into your files, some of them will not have to be retained for more than a few months. A periodic review will enable you to get rid of obsolete materials. And that's not all; you can save a great deal of expensive office space by microfilming those filing materials that are of permanent value.

Another thing that could come to light in an exhaustive analysis of the functions performed throughout the entire salaried organization is the advisability of making some job changes. Improved methods will suggest themselves. Existing functions may have to be combined or eliminated; new functions may have to be added. You may find, too, that it might pay to introduce automatic or semi-automatic machinery.

These are examples of the possible savings that an analysis of your present practices may reveal. You will find many others. The point I want to make is that such savings are well worth looking for, because they pave the way for direct and substantial reductions in salary costs.

The second step in controlling office salary costs calls for a proper evaluation of jobs. You are all familiar with job evaluation and the purposes it serves. You know how essential it is to the soundness of any salary structure that the compensation for a particular job be commensurate with the responsibility, the

Salary Distribution, Headquarters Offices, before Changes of January 1, 1946



knowledge, and the experience that is required to properly perform that job. You realize, I'm sure, that failure to properly evaluate jobs can cause a high degree of employee dissatisfaction and turnover and that it can waste money in other ways too.

Some people object to job evaluation on the ground that it is not scientific. They regard it as a needless and costly process for producing a result that could be obtained just as well by the application of plain common sense. I'll agree that job evaluation is not "scientific" in the sense we normally use this term. But there is no denying that it is an orderly method of attacking the problem of controlling salary costs. And my own company affords a graphic example of how job evaluation can strengthen a salary structure.

Our salaried jobs were first evaluated in 1945. When the evaluation was completed, a salary curve was established on the basis of surveys made at that time. Jobs were classified in grades from 1 to 15, with what we considered the correct minimum and maximum salary rate for each grade. We placed this information on a large chart. Then, to see how well our salaries lined up with the evaluation, we plotted on the same chart the actual salaries we were paying, placing a dot for each employee's salary, as shown on the chart.

Theoretically, if we had been paying our people

properly, the distribution of salaries would have been almost identical. But the accompanying chart is one we kept as a reminder of how far off base it is possible to be without the use of a systematic guide.

As you can see from the chart, some people were not being paid enough. On the other hand, many people were being paid far too much. In the worst case, we were paying $550 a month for a job that called for a maximum rate of a little over $300.

This lopsided situation was corrected over a period of time, without anyone getting hurt. Yet, until the decision was reached that all jobs should be evaluated, management had considered its salary policy fair. Our experience demonstrated the importance of having a good job evaluation program if you want to get the best return on the money you spend for your salaried personnel.

And here is another point. It will pay you to realize that the initial evaluation is not sufficient; jobs have to be reevaluated regularly. Job surveys have to be made. When conscientiously carried out, these surveys avoid waste by helping to keep your salary structure current. It is not enough to note that overall changes have occurred in the salaries other companies are paying. A detailed comparison has to be made on a job-by-job basis. This is true because the content of jobs has a way of changing. And unless the evaluations are kept current, we may find ourselves back in the position of paying too much or paying too little.

With the inflation of recent years, there has been a more or less continuous rise in salary levels. The rise resulted from a combination of general increases, cost of living increases, and merit increases. Such factors obviously affect the total salary structure.

Some companies allow automatic increases within their set salary ranges. But automatic progression, in my opinion, is fundamentally wrong. Mere passage of time does not assure improvement in performance. Otis Elevator had automatic progression some years ago in a contract with an engineering union. It took us five years to get rid of the provision. Now, whenever a demand is made in this direction, we fight it as hard as we can.

If salary costs are to be controlled, salary increases should be granted solely for greater effectiveness on the job. We believe in sound merit programs in which performance is reviewed once or twice a year to determine whether an employee should move upward in his rate range.

The third step to take in controlling salary costs is to establish and use budgets that are meaningful. Every manager who is given the responsibility for operating a department, regardless of its size, can do a more consistent and effective job if he knows the amount of money allotted to his department and makes it his business to keep informed with up-to-date reports on how the money is being spent. If a budget is not realistic, it can't mean very much. On the other hand, a practical budget that is strictly enforced can serve as a constant control over office salary costs.

Salary cost control budgets should be established on a fair and equitable basis for the given task and should be set up and approved prior to the beginning of the year. Performance reports should be furnished as soon as possible. For instance, the most effective budget control within my experience was one in which reports on expenses were returned to the department head just a few days after the money was spent. This enabled him to keep a tight control of departmental costs and to act quickly when anything went wrong.

The fourth, and perhaps most important, step in a program for controlling office salary costs concerns the people who work in the offices. First, there are some questions to be answered from management's viewpoint. Do we have the right people in the right jobs? If so, are we doing all that we can to help them do a better job through adequate training and effective supervision? If not, what are we doing to remedy the deficiency? Are we suffering from a looseness of operation that eats away minutes which add up to hours of lost productivity?

Then, from the viewpoint of the employees, there are other questions to be answered. What is their attitude toward their jobs and the company? Do they feel, as Mr. Copell put it, that they are just laying bricks or do they feel they are helping to build a cathedral? Do they know and have a real interest in the company's objectives? The employee who thinks well of the company he works for is more likely to be a productive employee.

But, what determines an employee's attitude toward his company? To a great extent, his attitude will hinge on the attitude of the company toward him. If a company demonstrates by its words *and actions* that it is sincerely interested in his welfare and respects his dignity as an individual, it's likely that he in turn will respect the character and the goals of the company and will be sincerely interested in the firm's welfare.

To awaken such an interest, the character and goals of the company must be made known to the employee. Yet close examination will often disclose that this information is not being effectively communicated down the line through the various levels of supervision. The rank-and-file employee is left in the dark. This may be the fault of his immediate supervisor. It is particularly important to scrutinize the attitude of the employee toward his immediate superior, for that often determines the employee's attitude toward the company.

The attitude of the employee toward the company is important in cost control. It is not only reflected in the quality and quantity of his work but becomes part of the services the company offers or the products it makes. These services or products, in turn, greatly affect the attitude of customers toward the company. And so, in effect, the attitude of the employee toward the company can to a great extent determine the success of the company.

I said at the start that there is no magic formula for salary cost control. The four steps I have outlined are suggested procedures that lead in the right direction. Following them conscientiously can help decrease your salary costs and increase your office efficiency.

The Medical Department's Role in Reducing Costs and Bettering Employee Relations

by A. D. R. Fraser

AMERICAN INDUSTRY has attained leadership in world production by a program of capital improvements in machines and methods, by scientific research, by good management, and by plowing back a sizable amount of its earnings to purchase further equipment. A constructive program of preventive maintenance and repairs has also been an important factor in maintaining leadership in production.

It is only in recent years, however, that management has given due recognition to the importance of its human assets. I believe that if industry's viewpoint on human assets had been more enlightened at an earlier time in our history, we would not now be saddled with some of the labor and government-controlled social welfare programs that add an ever-increasing cost to the finished product.

When our company, the Rome Cable Corporation, was formed twenty-two years ago, it was the stated policy of our first president, now chairman of the board, that human assets are much more important to the success of a company than bricks and mortar. For with the right kind of organization, the best equipment can later be provided through the efforts of that organization and the operation of the free-enterprise system.

Ten years ago we embarked on a medical program supervised by a full-time medical director. We were told at the time that we probably were the smallest company in the country in number of employees to initiate such a comprehensive program.[1] I can assure you that we have never regretted this move.

Our purpose in starting the program was based on the belief that a healthy employee is generally a better employee than one who is worried about his health. We now have facts and figures not only to substantiate that belief but also to show that our medical program has occasioned sizable cost reductions. It has become one of our best employer-employee relations programs.

A reduction in absenteeism is one example of benefits we have gained from our health program. In the year before we initiated our medical department, total absenteeism for all hourly workers averaged seventy hours or almost nine days per year—3.5% of an employee's normal work time per year. In 1957, absenteeism had dropped to thirty-two hours or four days—1.6% of the year's total working time. Translated into earnings, savings between the two periods (using the 1957 average rate) show a gain in employee income of thirty-eight hours, or almost one week's pay and a saving of over $800 in production per employee per year. Multiply these figures by the number of employees and they become impressive.

A further analysis of the 1947 figures shows that of the total nine days lost per employee because of absences, 3.4 days were due to reported sickness, and 1.4 days were due to occupational injuries. We have no report for the remaining 4.3 days but it appears that at least two and a half days of that time were lost because of sickness.

Now consider a similar breakdown of the 1957 figures. Man-days lost due to sickness dropped from approximately six to 2.9 days. Absenteeism resulting from occupational injuries dropped from 1.4 days to three-tenths of a day; the no-report figure dropped from 4.3 days to eight-tenths of a day. Whereas a worker formerly stayed out and doctored himself with home remedies, he now reports to the medical department to be advised on his condition. He can then adopt the proper treatment.

Workmen's compensation is an element of cost. We feel that it is much cheaper to prevent an accident (which entails medical costs as well as compensation) than to disrupt work. From 1944 through 1946 (before our medical department existed), our average number of compensation claims per year totaled 253. From 1950 through 1957, the average was sixty-seven, a reduction of 73.5%. The number of industrial accidents per year from 1945 through 1947 averaged seventy-one. From 1948 through 1957, the average was thirty-two, despite a sizable increase in new female employees during the Korean war. This represents a reduction of 55% in the number of lost-time accidents. Lost-time days dropped from an average of about 1,391 to 861, a reduction of 38%. And in 1957, total lost-time days numbered only 279.

The number of sick and accident claims shown as

[1] Ten years ago, Rome Cable Corporation employed about 1,000 workers. It now has about 1,200 on the payroll.

a percentage of the total number of employees in 1945 was 18.4%. By 1948 it had been reduced to 13.6%, and for 1957 it was less than 5%.

Workmen's compensation costs have increased nationally in the past fifteen years due to increases in maximum benefits, doctor and hospital fees, etc. But our net average cost per employee for the nine years since establishment of the medical department is approximately the same as the average of the previous five years. Our doctor is able to treat many industrial accidents so they never become compensation claims. It is interesting to note that of all cases reported to the medical department, only 2.5% were treated by an outside physician; more than half of these cases were referred by our doctor for special treatment.

The medical director receives copies of all standard accident reports. Working with the safety director, he investigates all accidents, and where hazardous conditions exist, steps are taken to prevent future recurrences. The doctor has also been instrumental in instituting better lighting, eliminating drafts, achieving noise reductions and similar reforms.

The medical department's role in employee relations also is important, and the doctor works closely with the personnel department. He has been responsible for job changes for those older employees whose physical and mental conditions had made their former jobs unsafe or unsuitable. As a result, the working lives of these persons have been lengthened.

The medical department provides many other services. All employees, for example, may take a periodic physical examination about every fifteen months; supervisors may be examined twice a year. All workers are offered booster shots for tetanus. We were among the pioneers in offering polio shots, and these were available to all workers, not only to those under forty. We also were among the first to provide Asian flu vaccinations.

Our leadership in offering polio and influenza shots encouraged other companies to do the same and was instrumental in influencing a high percentage of our employees to take their families to their own doctors for inoculations.

These various services provided by the medical department offer frequent opportunities for employees to consult with medical personnel about their personal or family health problems. An employee may worry, for example, about the future course of an illness or injury incurred either by himself or by someone in his family. Such worry often can be allayed by discussions with the company doctor. This is especially true when the condition is a disease little known or understood by the ordinary layman. Our doctor has been similarly helpful in dealing with the psychoneurotic problems of some employees.

I am convinced that our medical program has brought about a new attitude on the part of our employees: they now believe management considers their individual jobs important and is interested in their well-being. Participation in voluntary aspects of the program is high. Almost 100% of the employees take advantage of the periodic examinations, 91% received polio shots, and 61% had Asian flu inoculations.

Whenever physical examinations indicate the need for further diagnosis or therapy, the company doctor urges employees to see their own physicians. He also offers to provide a record of the examination findings to the employee's physician. The offer is frequently accepted and is an indication of the good relationship that exists with local doctors.

This relationship is partly the result of groundwork laid before we instituted our medical program. Back in 1947 we contacted many local physicians, told them of our plans, assured them we would concentrate on a program of preventive medicine, and said we were eager to cooperate with them whenever possible. A similar explanation was also made to employees of the company.

At present there is increased unemployment throughout the country. But the long-range economic outlook is for a manpower shortage. Despite a population increase of about 30 million (caused principally by a rise in the number of babies and retiring senior citizens), we actually shall have 700,000 fewer men in the twenty-five to thirty-four age bracket than we have today. Keeping the working population well and on the job will become increasingly important, therefore, and will enhance the need for a company medical department.

Production employees of our Rome plant recently joined a union; and in the course of negotiations and subsequent conversations, the business agents commented on the excellent job our medical department is doing for the employees and on the leadership and help our doctor has given to promote better health programs among other companies.

On a wall of the industrial medical center of one of our great chemical industries hangs a plaque which carries the following dedication: "The professional staff and facilities of this medical center are pledged to the task of achieving a healthier and happier life span for our workers through sound medical practices in order that, by useful and gainful activity in their work, homes and communities, they may become even better examples and stronger defenders of the principles and way of life which makes us a nation of free people." I heartily subscribe to this well-phrased statement.

In conclusion I think you can judge that I am an enthusiast for a good medical department and believe it can reduce costs and improve employer-employee relations.

Controlling Fringe Benefit Costs

Whether by design or willy-nilly, the cents-per-hour cost of employee fringe benefits has more than doubled in the past ten years. As a result, controlling costs of the fringe portion of the wage bill has become increasingly important. The cost implications of three basic problems—keeping pension benefits in line with living costs, the broadening of medical care expense protection through major medical insurance, and a similar broadening of compensable disability in workmen's compensation—are all discussed in this Round Table, with Martin R. Gainsbrugh, Chief Economist of The Conference Board, as chairman. The panel consists of:

- Geoffrey N. Calvert, Vice-President and Director, Consulting Actuarial Division, Alexander & Alexander, Incorporated
- Earl S. Willis, Consultant, Employee Benefits Development, General Electric Company
- Joseph R. Shaw, President, Associated Industries of New York State, Inc.

Cost of Living Pensions

by Geoffrey N. Calvert

MOST PENSION PLANS in existence today have proved somewhat deficient in the level of benefits they pay retired employees. Their fixed rates have failed to provide enough income to enable retired persons to live decently in inflationary times. As a result, pensioners have become the prime victims of inflation.

Only the increase in Social Security benefits has brought relief to many hundreds of thousands of pensioners; but it would be unfortunate if the provision of pensions were to be taken over by the Social Security program as a result of the failure of corporate pension plans to meet the problem of continued inflation.

It is true that companies set aside large funds each year for the provision of pensioners, but these are often invested without sufficient thought given to the ultimate purposes of the pension plan. For example, many pension plans are operated for companies by insurance carriers, which until now have been prevented by law from investing more than a small fraction of their assets in anything but fixed dollar investments. The only way to keep these pensions in line with living costs would be to undertake substantial funding for extra pensions whenever the cost of living rises sharply. In many cases this has not been done, and pensioners have, instead, been squeezed. Many retired employees are disillusioned about the security that was promised them by companies to which they had given a lifetime of service.

This whole situation has brought about many changes in corporate pension plans.

First of all, there has been a swing by trusteed plans from investment in bonds to investment in common stock in the hope that this diversification will raise the yield of pension funds and secure long-term capital gains to offset increased pension liabilities.

As Chart I shows, there is validity in this move. The increase in the capital value of stocks from 1900 to the present, although most irregular, has remained on the whole within a band which has risen about 3% a year. This doesn't mean, of course, that capital values have actually gone up 3% each and every year. But this has been the average over the whole period. In other words if stocks keep going up in this fashion, they could offer one area of relief from the problem of inflation.

In addition, the yields on stocks have been sustained at a level somewhat above that of bonds. There are no exact figures available as to the long-term margins between stock yields and bond yields; but if you assume even a 1% differential, that would mean a cut of 12% in long-term pension costs.

The advantages gained by diversification of pension funds are responsible for another trend that has become quite important since 1950. There has been a swing from fully insured pension plans to trusteed plans in order to obtain the higher yield and long-term capital gains available through diversification—and this is only possible under the trusteed plan.

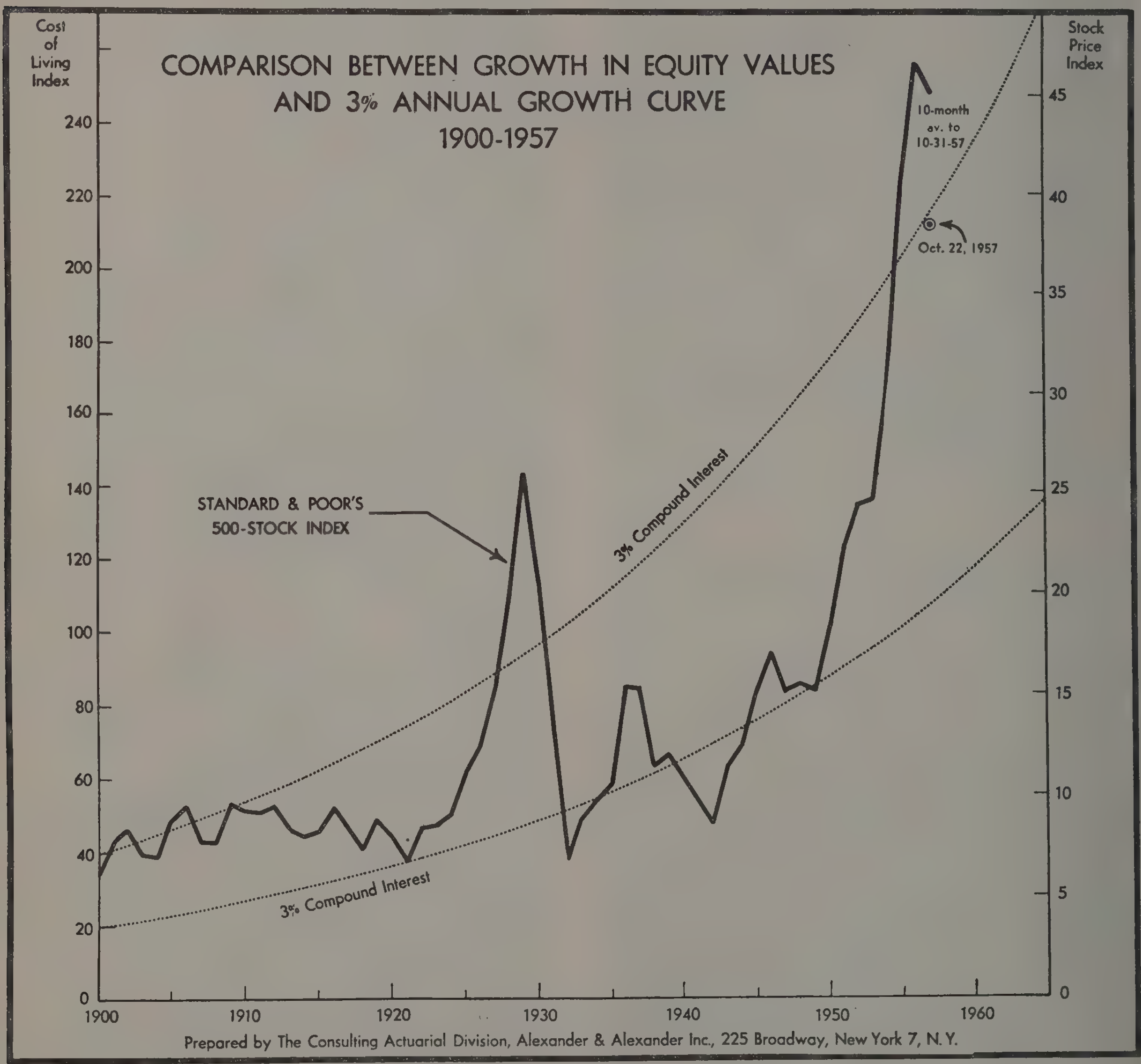
Thirdly, you have the emergence of split funding. This type of funding is actually a combination of an insured pension plan and a trusteed plan.

The aim of the split fund is to capture the advantages of both types of funding by using the best features of each plan. The split fund utilizes, but is not restricted to, stock investments. This approach eliminates the drag on the interest yield inherent in a trust fund because of the need for the trustee to

hold a large portion of his fund in government bonds. As a result, there is a probable higher long-term yield under a split fund; and at the same time it secures for pensioners the full guarantee and backing of the huge reserves of a well-chosen insurance company, which is lacking in the trust fund.

The split fund also provides all of the flexibility of a fully trusteed fund (or of the most flexible forms of insured fund) and the economies of the group approach. Its advantage over the deposit administration form of insured fund lies in its capacity to make use of stock investments and to purchase other direct investments which would not be possible with a fully insured fund. Another advantage of the split fund is that it allows new deposits to be directed into either the trust fund or the insured fund, depending upon investment conditions at the time.

The fourth trend that has arisen as a result of the



The top dotted line, beginning in 1900 at only slightly above the 500-stock Standard & Poor's index, shows how 3% annual compound interest kept pace with equity values, except for two bull market peaks, while at the same time avoiding bear market slumps which would seriously reduce income to pensioners if plans were directly tied to the stock market.

rising cost of living is a shift of pension plans from career-average plans to final-average plans. In a career-average plan, the amount of pension a man gets when he retires is determined on the basis of his earnings for his whole career. For example, he may be entitled to 1% of his earnings for each year of employment in the company. Then all these little units of pension are added up to give him his final pension rate.

But, unfortunately, the earnings of a man back in 1939, or 1943, may be so far out of touch with living costs when he retires, say in 1967, that the pension he will get is not really sufficient. As a result, companies often have to supplement these pensions until they can revise the whole plan. But at best, this is only a temporary solution.

Therefore many other companies have changed their pension plans so that an employee's pension is computed on the basis of his earnings during the last five or ten years before retirement. Under such a set-up, the company may give the employee 1% of his earnings during that maximum-earnings period and multiply the resultant figure by his total years of service.

However this type of plan has drawbacks because if the investment of the funds is done without any regard to inflationary trends, costs tend to rise. But if the investment program does provide for a fair proportion of stocks (and if the stock market behaves itself), there will be a correlation between equity values in the stock market and pension liabilities. Within the pension fund itself there will be a growth of capital values to offset the growth in liabilities.

However the pensioner, having been duly launched on his retirement date with an adequate pension, is exposed from there on to further inflation. His pension remains fixed.

You can criticize such a plan for providing only a partial solution for the pensioner and for involving the employer in some hazards as to costs. But, on the other hand, it keeps the employer aware of the problem of the rising cost of pensions, and hence pressures him into adjusting the investment program to obtain the best results. In fact, the employer may face less loss if he adjusts his investment policy than he would with the career-average type of plan under which he may have to fill in large new costs and make extensive readjustments in his plan every five or ten years.

The fifth new trend which has arisen in recent years is the emergence of the "equity-unit" type of plan. One of the interesting aspects of this type of plan is that it involves the employee automatically in the thrills and spills of the stock market. These plans accumulate shares in an open-end mutual fund wholly invested in stocks and pay out the cash value of these shares.

This set-up means that as the stocks rise and fall, the accumulated value of the reserve being built up for an employee rises and falls; and after retirement his income continues to rise or fall. For example, under a regular pension plan, a reserve of $15,000 might be accumulated for an employee, and from this reserve $100 a month might become his retirement income. Under an equity-unit plan, 15,000 shares would be accumulated, and the then current cash value of one hundred of these shares would be paid out each month to the employee after his retirement.

You will notice that the whole validity of the equity-unit plan depends upon a hoped-for coincidence between the trends of stock values and living costs. There will be a clash if the two don't go in the same direction at the same time at more or less the same speed. And since the movements of the stock market are most erratic, share values cannot be relied upon to keep closely in touch with the cost of living. Therefore, in an attempt to safeguard the pensioner against having an income with impossible fluctuations, these plans generally provide that only one-half, or some such part, of the pension funds will go into investments that yield variable benefits. The remainder of the pension is invested along conventional lines to yield fixed dollar benefits.

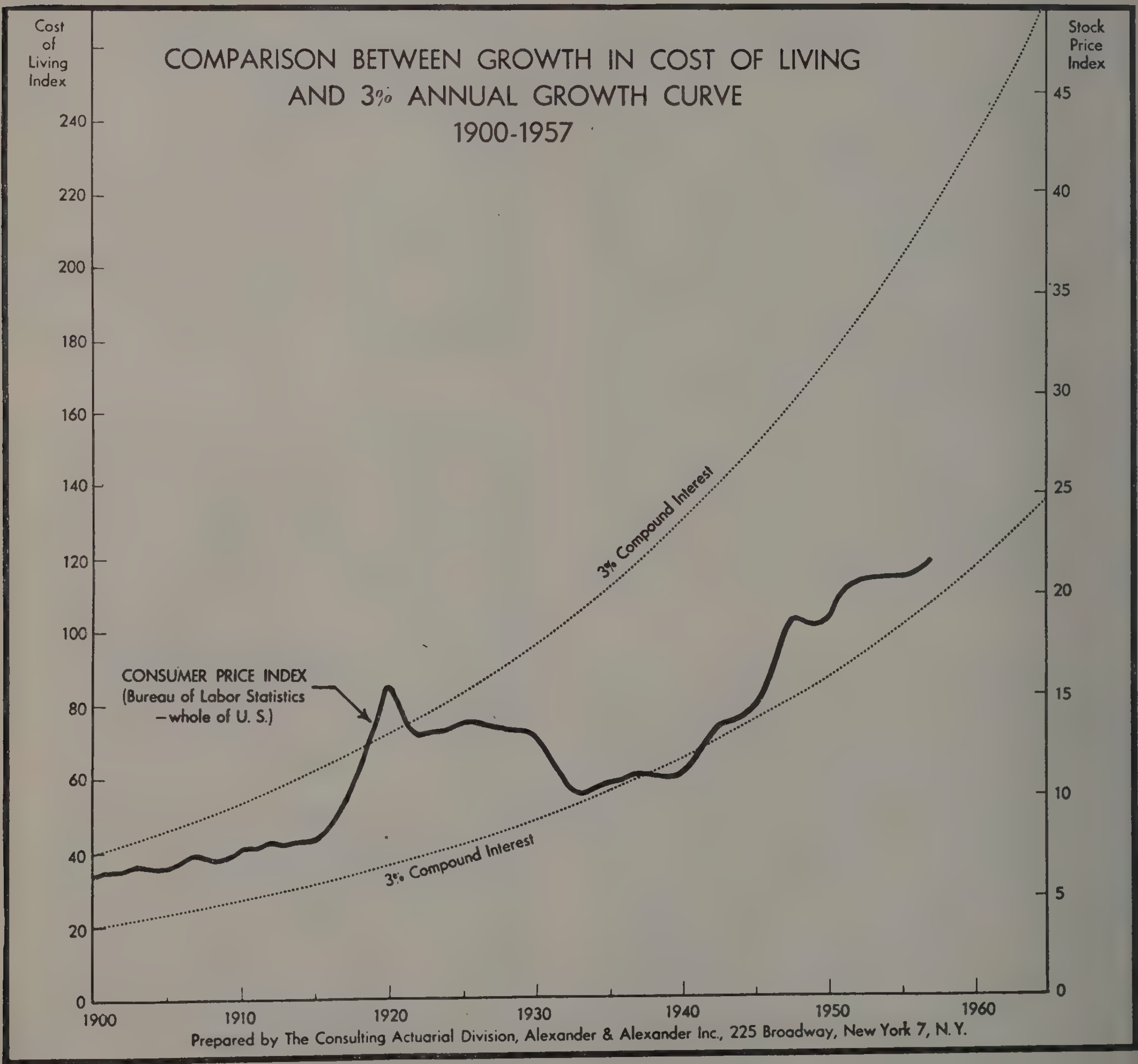
Historical researches into the relation between stock values and the cost of living encourage the premise that pensioners will fare better under equity-unit plans than they would under conventional fixed-income plans, even though they are subject to a good deal of erratic fluctuation. However, I can visualize that many people retiring under these plans actually are going to receive less than if they had fixed dollar incomes. These are the ones who happen to retire just at the wrong time, when the cost of living is going up and the stock market down. Other people may come out well. But because of these risks, this type of plan doesn't quite seem to me to be the final answer, although it is a very interesting attempt to solve the problem.

Finally, let us consider the cost of living plan, which has been devised in the last few years (see Chart 2). Under this plan benefits are directly linked to the cost of living index (or a moving average based on it). They do not involve share values, nor do they embroil the pensioner in the gyrations of the stock market. The funding arrangements which apply to these plans, however, give full recognition to the long-term capital appreciation trend. In other words, the cost of living plan removes from the retired employee's income the deviations between the cost of living index and the value of the stocks, while still providing him with a flexible income. As noted, these deviations are probably the weakest point in plans of the equity-unit type.

The basic benefit structure which underlies the cost of living plan can be a conventional plan of the career-average earnings type. In this case each unit of pension is adjusted, both before as well as after retirement, to allow for changes in the cost of living. Or, it can be of the final-average earnings type, in which case the pension is adjusted for changes in the cost of living only after retirement.

Making the cost of living index a definite factor in the plan enables a company to use a more modest basic benefit formula and yet achieve greater employee satisfaction and a more promising life expectancy for the plan. Hence, it does not follow that a plan of this type would necessarily be more costly than a conventional plan. It may, in fact, be less costly, both at the outset and in the long run, if it is linked with a funding and investment policy suited to its needs.

In order to safeguard the fund against the conse-



The dotted lines show the growth curve for funds invested at 3% annual compound interest. In sixty years, $1 becomes $5.89. Twenty dollars invested in a pension fund in 1900 thus has grown more than the equivalent cost of living over the sixty-year period, while $40 invested then has kept pace with the cost of living at every point except one, and today would be worth far more in real dollars than in 1900.

quences of a possible runaway inflation, limits are placed on the extent to which pensions can grow in any one year. For example, if the pension is geared to a twenty-four month moving average based on the consumer price index, a 5% limit may be placed on the allowable growth of pensions from one six-month point to the next. This maximum will be found sufficient to accommodate almost every short-term inflationary situation, so there is virtually no danger that the pensioner's purchasing power will not be maintained.

Under the equity-unit type of plan, the costs may be fixed either in terms of a percentage of payroll or a set dollar amount as under a conventional plan. How much an employee's pension can grow is something that lies beyond the direct field of operations of the employer, since this growth is generated within the pension fund. The employee takes all of the risk, suffers all of the fluctuations, and receives all of the benefits if equity values rise.

Under the cost of living plan the employer, in effect, underwrites the pension fund to the extent that its performance over the long term fails to provide pensions which keep pace (within limits) with the cost of living index. The employer funds his plan and sets its investment policy with this in mind, and he can make a reasonable allowance for the effects of continued inflation in his funding basis.

In contrast, under the equity-unit plan it is the employee who is primarily affected by the investment policy that governs the operations of the fund.

There is little question as to which of these two types of plans does the better job from the viewpoint of the retired employee. Only the cost of living plan assures him of steady retirement income in keeping with his living costs. The equity-unit plan *may* do better than this, but that is speculative.

It is for each corporation to decide whether it is prepared to underwrite the fund to the extent necessary to give its employees stable real incomes after retirement, which is the objective of every pension plan.

As has been already pointed out, most employers are saddled with the burden of adjusting their pension plans from time to time so as to bring their benefits up to currently accepted levels. In many cases, however, proper consideration has not been given to the investment requirements that go along with this need to make periodic revisions and upward adjustments. Companies that fancy themselves free of the responsibility to maintain pensions in accordance with living costs, and have consequently failed to bring their funding arrangements into line with this concept, are therefore in the worst position of all. They are in the long run likely to face higher pension costs than companies that have studied the problem and acted accordingly.

In other words, the companies that will pay the most in the long run are not those that have established variable benefit plans, but those that have failed to set up funding arrangements suitable for the provision of such benefits. And if the higher costs are not met, the employees of these companies face serious disillusionment.

It has been said that a cost of living pension plan might involve more financial risk than a conventional plan. There have been thousands of final-average earnings plans in force for years and, no doubt, there will be many more. But I believe that a career-average earnings plan with a cost of living adjustment not only takes better care of the pensioner but, properly managed, it involves less financial risk to the employer.

Major Medical Insurance

by Earl S. Willis

INSURANCE against the costs of hospitalization, surgery and other medical expenses is an example of the truism that necessity is the mother of invention. As individuals felt the need to spread and budget the cost of hospitalization and surgery, and as hospitals felt the need to solve their credit problems, insurance programs were established. They were really a combination of spreading the risk over a larger group for a longer period of time and a "Christmas Club" arrangement for prepaying expenses.

The glorification of what were really basic financial purposes came later, as frosting on the cake. For example, the full-payment concept, originally just a good, practical credit system, has now acquired an idealized aura that is perhaps creating the greatest problem in controlling medical expenses. Even when this concept first began to be given social significance, it was not as deleterious to sound medical-cost financing as it is now, because it applied, at most, to hospital and surgery costs, leaving the whole wide area of other medical costs for self-insurance.

However, we now have a different situation. First, inflation has had its evil effect on medical costs as elsewhere. Second, the emphasis on full-payment and first-dollar coverage has resulted in the overuse of medical facilities. Third, the practice of medicine has undergone a vast development and improvement in recent years with a resulting greater complexity and cost. Fourth, many employers and individuals have begun to realize that hospital and surgical coverage are only part of the medical-expense picture. These

factors, and perhaps others, led to the establishment of the so-called supplemental major medical-expense coverage.

The first plans were installed simply to supplement the already existing basic coverage for hospital and surgery; and very often they used a flat deductible.

The next plans were similar but better integrated with the base plan. Rather than using a flat deductible, these plans provided that the superimposed benefits would be payable only after the basic plan had reached its limits for a particular case.

It was the general practice then, and still is, to leave a gap between the base plan benefits and the start of the major supplemental benefits. This is called a "corridor deductible," since it is a corridor between the two plans, filled in by the individual's own financing. This corridor deductible gives the individual a direct interest in the costs in excess of the base plan's coverage so that there is some assurance that the supplemental benefits will be used only when really needed.

Fortunately for the future development of these supplemental coverages, one of the basic principles of sound health insurance was also recognized: the individual needs to maintain a continuing direct interest in his medical costs.

Therefore, the new supplementary coverages — which for the first time were providing benefits in the less-tangible medical expense areas — required co-insurance, with the individual paying 20% to 25% of the cost.

These are really the basic principles of controlling the cost of insurance. And it has been demonstrated repeatedly that they are sound, practical and effective.

The next step was nearly eight years in arriving. It was based upon the increasingly evident weaknesses of many basic plans in the face of rising costs and the natural human tendency to take advantage of a good bargain.

It has been demonstrated that a basic plan paying hospital and surgical costs from the first dollar of expense is fundamentally unsound in several respects. First, it uses a lot of dollars to little purpose—that is, small claims of up to $25 are so numerous as to use up substantial sums of money when the individual is not really in need of help. These small claims also cost a lot of money just to handle. Over 30% of the claims in our own old basic plan were of this variety.

Second, most basic plans pay each little claim only if it involves hospital confinement. So these plans make people think that thrift requires them to go into a hospital for minor ailments, operations or X rays that could easily be performed in a doctor's office.

Unnecessary use of hospitals coupled with the rising costs of operating them have correspondingly skyrocketed plan costs.

Instead of railing at increasing health-insurance costs there are some companies, my own included, that have tried to analyze what really makes costs go up and then have begun taking practical steps to use the money being paid for these programs in the most effective way.

First, it has been found that to pay small, routine bills is a wasteful, frittering away of resources needed for really troublesome cases, and it creates unnecessary administrative burdens. Only when the small bills begin to mount to sizable proportions should insurance step in.

Second, the individual should take a direct and continuing interest in the kind, quality, and quantity of his medical care. His physician must provide full care and treatment as economically as possible.

Third, the plan should be flexible. It needs to be adaptable to various problems. For example:

1. It should cover a broad variety of expenses beyond the hospital-surgical area. It should cover physician care wherever it may be provided, as well as nursing, medicine, prosthetic appliances, and so on. Further, it should help to provide aid for care outside a hospital.

2. It needs to be adaptable to variations in the type of treatment for similar ailments. One case may be severe, another mild; one case may require surgery, another only a doctor's visit. With the infinite variation in people, to say nothing of the multitude of ills or accidents that can occur, the treatment necessarily must be flexible, and this requires flexibility in reimbursement procedures.

3. In many cases there is a need for flexibility to meet variations due to geography or patterns of medical practice. The plan should not attempt to influence the type of treatment, nor should it be applicable to only one type of practice—such as a panel or institution—or payable for service only in a limited area, or applicable only to certain illnesses. It should help people to deal with the broad problems of their medical bills. Insurance is a financial program, not a professional medical institution.

To meet these general principles, after several years of experimenting with major medical plans and attempting to broaden our base plan, we developed a comprehensive plan and offered it to our employees in negotiations in 1955.

At the same time we developed and offered an alternative plan, which we call the basic and extended plan. This is a standard hospital-surgical plan, with major medical coverage superimposed after a corridor deductible of $100. The basic and extended plan was offered to help the unions and the employees understand the advantages of our comprehensive plan,

which was constructed on a new and completely different basis. Generally, employees had a free and open choice between the two plans, even though we strongly endorsed the comprehensive plan. Initially, 96% of our employees selected the comprehensive plan. A few days ago we had over 99% enrolled in it.

The comprehensive plan is a single, integrated plan, with small initial deductibles. There are no surgical or medical fee schedules, nor are there fixed schedules for hospital room and board and special services.

It provides benefits for a wide range of expenses due to disabilities or accidents. These benefits are payable whether the expenses are incurred in a hospital, in a doctor's office, at home or elsewhere. Maximum benefits are $7,500 a year, or $15,000 for a lifetime—the $15,000 being renewable in many instances.

Partly because there are differences in medical conditions and practices, and in part because we were going into new, uncharted areas, we divided the benefit reimbursement into two sections: A and B expenses. A expenses are those for hospital, surgical and diagnostic X ray. For these there is a $25 annual deductible. The plan pays the next $225 in full and then 85% of the balance. B expenses include physicians, nurses, drugs and medicines outside a hospital, diagnostic laboratory procedures, rental of equipment and so on. For this portion, the employee pays the first $50 in a calendar year, and the plan pays 75% of the balance of covered expenses.

If both A and B expenses are incurred by an individual in a calendar year, the total deductible for both is only $50. In other words, in any one year, there can be no initial deductible larger than $50. This, of course, is much more liberal than the provisions of standard major medical plans, such as our own basic and extended plan, under which the initial deductible for expenses incurred outside a hospital is $100 or more.

It is possible for the comprehensive plan to offer the high maximums and the lower deductible on outside expenses because of the initial deductible on hospital and surgical as well as the over-all controls that were adopted. Money is not dissipated on small items but can be applied where it will really do some good; and the individuals have a responsible interest in how well the money is spent.

The plan has two other features of interest. For psychiatric care, it pays the regular benefits if the employee is totally disabled or if a dependent is hospitalized. If the person is not totally disabled, unlike most plans, it still pays 50% of the costs.

This provision was instituted because of our sincere feeling that mental illness should be covered, but it also reflects some rather bad experiences we had under an earlier plan. We felt the need for more direct participation by the individual to assure full control of the expenditures.

In 1956 we had 3,500 cases of nervous disorders, evenly divided between totally and not totally disabled. This means that we helped 1,750 persons not totally disabled, who under most medical insurance plans would not have had such help.

The ratio of cost for mental cases to total costs was 4.5%. This appears to be about two-thirds of the amount we have seen reported by some other companies and would indicate that our control is operating effectively in this little-understood field.

The other special feature of interest in the plan is that we pay a flat maternity benefit of $150 for normal birth. This purposely does not attempt to meet more than a fair share of the cost in an average situation. To do more would utilize money unfairly that should be expended for insurable emergencies applicable to all covered persons. However, if severe medical or surgical complications develop, the plan will pay 75% of expenses after a deductible of $150. Thus, while limiting payments on predictable costs, the plan will provide assistance for unpredictable costs, as it does for all other unforeseen medical events.

In its short two years, our plan has provided benefits of all sizes up to a recent one of over $11,000. The average employee claimant, in 1956, received $242. The average claim paid was larger than the average under the basic and extended plan. This indicates that the comprehensive plan takes care of what might be called normal expenses, as well as the more infrequent serious large expenses.

In 1956, 40% of the employee claims, in number, were for less than $100; they accounted for only about 8% of the benefits. These benefits were after the deductible and might mean that, in principle, the deductible could be raised to get rid of more paper work and still not seriously affect the actual needs of individuals.

Another 48% of the claims were in the $100 to $500 bracket and they accounted for 48% of the total benefits. Nine per cent of the claims fell into the $500 to $1,000 bracket; 2.4% were from $1,000 to $2,000; and about half of 1% were over $2,000.

When the comprehensive plan was first offered in November, 1955, considerable fear was expressed by many outside the company that the absence of fixed schedules for physicians' and surgeons' services would lead to widespread abuse and inflation of charges. Actual experience with the plan has demonstrated that such abuse will not occur if the following controls are maintained:

- The employer should take an active interest in the

plan's operation. All participants, employees and outsiders, will react favorably to this interest.

- The insurance carrier needs to help actively. It should do a careful job of investigating apparently unreasonable claims. A fee that seems exorbitant may on closer inspection prove just, while another fee which looks reasonable may turn out to be unreasonable for the particular case.

As part of the over-all control program, we have held meetings in more than fifty-five of our plants to discuss our plan with the local medical societies. The cooperation and understanding of doctors is vital to the program. And their stake in the success of this kind of a program is as great as their stake in private medical practice; therefore their cooperation increases directly with their understanding.

Hospitals, too, have been contacted. And in some, but not enough, communities our people have met with, or at least written, to the druggists explaining the principles of the plan.

In one midwestern town where we have a plant, the management found that the frequency and duration of sickness and accident claims were more than double the company average. A meeting was held with the local doctors at which there was a free exchange of views. In addition, a plant tour was arranged to better acquaint the doctors with what was really happening behind the plant walls. They noted the safety and cleanliness of our operations. Following this meeting, the frequency and duration of disabilities were so reduced that our cost was cut in half. Now, two years later, this reduced rate still holds.

Our records demonstrate the absence of abuse and fee inflation on the part of doctors. For example, hospital costs rose 18% in three years under our plan, or 6% a year. However, from 1953 (when, under a prior plan, we had a standard fixed surgical schedule of $175) to 1956 (when we had the comprehensive plan with no fixed schedule), our average surgical fee rose only 2.8%, or less than 1% a year.

Over-all, our costs are well within the expected range and are holding quite well. For the entire plan, country-wide, the frequency of hospital admissions is ninety-one per 1,000 insured employees; obviously this is below the 119 per 1,000 admissions under our basic and extended plan for the same period, and is also less than the 116 per 1,000 figure we had in 1954, under our former standard plan.

These figures indicate that the reductions occurred because, under the comprehensive plan, it is possible to obtain care without going to a hospital and/or the deductible does reduce the number of one-day stays in hospitals.

What I have said was aptly summarized by an insurance expert discussing comprehensive plans. He said: "Major medical expense insurance aims to help people make the most effective use of the money required directly or indirectly for medical bills. It does this by taking the broad approach, encompassing all types of expense, by balance in the distribution of benefits between severe cases and cases where insurance protection is less urgently needed; and by encouraging people to act wisely and with discrimination in the expenditure of money for medical care."

There is no doubt that unless all of us can develop sound plans, without foolish or expedient compromises, the problem of controlling medical-insurance costs will not be solved. We are considerably encouraged by the over 2,000 companies that have adopted the comprehensive form of coverage in the past two years, not because they are putting in plans like ours, but because they are adopting plans based on sound principles.

Unfortunately, some of these companies gave in to pressures to exclude deductibles and even co-insurance. Perhaps, more unfortunately, I still see other companies adopting first-dollar, basic type plans. Sometimes these plans include additions meant to broaden the basic plans, but they are still on a first-dollar, pay-all basis. These plans are unduly expensive and certainly unsound.

It is urgent that insurance carriers and those who make the plans available to employees recognize the principles of sound insurance and courageously defend those principles. A major social problem is involved and we cannot afford to drift down the easy road or the expedient road. Individual freedom should not be lost for lack of application of hard work, inventiveness and *courage*.

What's Happening to Workmen's Compensation

by Joseph R. Shaw

WHAT IS HAPPENING today in our various state workmen's compensation programs? Are they achieving the goals for which they were created? How are they regarded by the working man, by management, and perhaps most importantly by the public? These are pertinent questions. The success or failure of these programs can be a significant factor in our industrial economy.

For some time there has been a growing dissatisfaction about these state programs, not in any narrow sense, but more as an expression of alarm about certain disturbing trends. Those most directly affected of course are employers, since by statutory mandate employers must, initially at least, bear the cost of these programs.

These disturbing trends have now reached the point where it is appropriate to pause and appraise our state workmen's compensation programs not only with a view to determining what has been happening over the years but also to discerning what may be ahead of us.

How far have we departed from the fundamental principles of our workmen's compensation laws and what will be the ultimate effect of such a departure.

What has happened in my own state of New York is characteristic of the broadening trends that have been taking place in many other states, particularly those which are heavily industrialized.

For some years now, we in Associated Industries of New York State have been seriously concerned about the erosion of the basic concepts of our workmen's compensation law. Overliberal interpretations by the Appellate Courts and a hand-out philosophy practiced on an administrative level reached the point some time ago where the cost of our program in New York far exceeded all other states. This cost disparity, unfavorable to New York, served to focus considerable attention on the problem, with the result that Governor Dewey in 1953 appointed a Moreland Act Commissioner to investigate costs, operation and procedures under the workmen's compensation law. This led to the preparation of two interesting and worthwhile documents. They are the report presented to Governor Harriman on January 28, 1957, by Judge Joseph M. Callahan, the present Moreland Act Commissioner in the continuing workmen's compensation cost investigation, and a comprehensive report issued in January, 1957, by a special committee of the New York State Bar Association appointed to study the workmen's compensation law.

The most significant changes of the broadening trends in the workmen's compensation laws in my opinion are the greatly expanded definition of what is an accidental injury and the gradual erosion of the wage-loss concept, which is the basic principle upon which our workmen's compensation law was founded.

After reviewing some of the Appellate Court decisions on the meaning of accident, Judge Callahan states in his report:

> "The result of this liberal construction of the term 'accident' has been to place primary emphasis on the resulting injury as the catastrophe, and to open the way for claims based on conditions originating gradually and at least partly from the normal physical degeneration of the human body. The increase in the number of such cases has brought the charge that the workmen's compensation law threatens to become a general health insurance law, rather than one intended to compensate accidental injury."

Heart cases are the type which provide the most serious concern in this area. Mindful of this, Judge Callahan sent a questionnaire to a group of 700 physicians including most of the nation's leading heart specialists. Three hundred ninety-eight responded. The results are significant, and I think it is unfortunate that they have not been given widespread publicity. Judge Callahan's report reads:

> "Briefly, the conclusions reached (except as otherwise noted, by a comfortable majority in each instance) were that work does not produce heart disease, that coronary occlusion is preceded by coronary sclerosis, that coronary occlusion occurring during moderately heavy work without engaging in unusual exertion is not causally related to employment, that the medical profession is about evenly divided on whether strenuous exertion or emotional disturbance can produce an occlusion, with the emotional factor being considered to play a more important role than the physical, and with the time spread between exertion and attack also being of material importance, and that subsequent infarctions are not related to earlier ones.
>
> "It would seem that many awards have been made and affirmed upon a theory at variance with these conclusions. It is also apparent that many claims involve both physical strain or emotional disturbance and preexisting pathology, and to the extent of the latter are illogically charged to the cost of compensation. A determination of the degree of comparative causation between the two appears, however, in the present state of scientific knowledge, completely speculative, except perhaps in death cases where autopsy is possible. Until some instrument or criteria for measurement are developed, any allocation must necessarily be arbitrary. This, however, is no reason for dogmatically saying that the entire cost must be borne by the compensation system. The economic pattern of business is seriously affected by having compensation costs thus improperly extended."

The summary and conclusions of this heart survey are as follows:

> "It is fair to assume that the opinions expressed by these 398 physicians involved no personal interest, particularly since there was so little variation between the internists and the cardiovascular specialists. In such a nationwide sample it is fair also to assume that partisanship — whether for claimant or insurance carrier—balances out. From the opinions and views expressed in this survey, it is reasonable to draw the following conclusions:
>
> 1. Work does not produce heart disease. (93.9% against 1.5%)
> 2. Coronary atherosclerosis or some other form of coronary disease must have pre-existed in an individual who suffers a coronary occlusion and myocardial infarction. (93.4% against 6.3%)
> 3. Performance of the same type of moderately heavy work without engaging in unusual exertion or strain has no injurious effect upon the heart. A myocardial infarction occurring during such work is not causally related to the employment. (88.6% against 7.1%)
> 4. Subsequent attacks of myocardial infarction are not causally related to the first attack, but to the under-

lying pathology of the coronary vessels in the heart. (82.9% against 12.9%)

5. Opinion on the effect of strenuous physical exertion or emotional disturbance upon the heart was divided. 46.6% considered that there was a causal relationship between strenuous work and an ensuing myocardial infarction; 49.5% did not. The general opinion was that the emotional factor plays a more important role in bringing on such an attack than the physical.
6. Opinion was divided on whether a person has a permanent partial disability after he has recovered from his myocardial infarction and returned to work and is asymptomatic. 45.8% felt that there was a disability and 47.9% that there was not."

You will find in the Bar Association report some very interesting information on the broadening of the concept of "accidental injury." Page 16 of that report has the following comment:

> "The board's decisions indicate that they have in recent years placed in the accident category such things as riding over rough roads which caused a back injury, a restrained sneeze which resulted in a fractured rib, criticism of an employee by his employer causing an emotional upset followed by a coronary occlusion, and a bite from an insect in packing material which produced a rash.
>
> "In the court decisions, the two most pronounced examples of the trend away from the early requirement of an extraneous, visible event or occurrence are the cases of routine 'exposure' resulting in disease, and the so-called 'heart cases' involving the concepts of 'strain' and 'exertion.'"

On the subject of occupational loss of hearing, the Bar Association report reads:

> "Passing over the question of schedule awards for accidental injuries it is abundantly clear that the New York occupational disease law nevertheless was predicated on the wage-loss concept. This is borne out by section 37 which defines disability as 'the state of being disabled from earning full wages at the work at which the employee was last employed.'
>
> "In spite of this definition, the Court of Appeals, in 1948, in the Slawinski case ruled that a drop forge employee was entitled to an award for occupational loss of hearing even though he had lost no time from work and had not suffered any loss of wages.
>
> "The decision in this case by the Court of Appeals was unanimous and without opinion, so that the precise basis of court's decision is not known. In the Appellate Division, Mr. Justice Foster, now the presiding judge of that court, filed a dissenting opinion in which he said: 'The foregoing language (referring to sections 37 et seq.) is plain, and under it we fail to see how an employee who contracts an occupational disease without disability, as defined by the statute, is entitled to an award. . . . There is no basis for an interpretation of statutory language where its meaning is clear and unequivocal.'
>
> "The decision of the Court of Appeals has opened the door to the whole occupational loss-of-hearing problem in the state, which many well-informed persons regard as one of the most serious problems ever to arise under the workmen's compensation law. The reasons for this are, first, because of the tremendous potential cost involved, second, because of the grave problem of accrued liability, and third, because the present lack of acceptable knowledge as to what industrial noise levels cause hearing impairment and how to correctly measure the extent of the causally related hearing loss, coupled with the presumption in the law supporting the claim unless it is overcome by the employer by substantial evidence to the contrary (sec. 21), makes it difficult, and in fact virtually impossible, for the employer to successfully defend claims of this type. The sole barrier at the moment against a possible flood of catastrophic claims is a ruling which bars any award until the employee has been separated from the injurious exposure for a period of at least six months so that the permanency of the loss can be fixed. Since this is purely an administrative ruling which could be withdrawn overnight, industry has urged that some permanent solution be found and, under the sponsorship of the Joint Legislative Committee on Industrial and Labor Conditions, representatives of industry and labor are currently meeting to see if they can agree on appropriate amendments to the law to deal with this problem."

How and why did we arrive at this point in our workmen's compensation programs?

Undoubtedly to a great extent we have drifted with the trend of the times. There seems a general willingness today—and the verdicts handed out in negligence cases in our courts are a prime example—to "give something" *regardless of fault*, to the injured or the ailing provided "the other fellow is going to pay for it."

It is my belief that there are at least two other factors causing the present trends in workmen's compensation.

Organized labor has been unusually aggressive in the handling of workmen's compensation claims for its rank and file. It has also been extraordinarily aggressive on a legislative level in broadening our state laws. This aggressiveness is evidenced by awards and decisions made on an administrative level. The liability of administrative decisions is inevitably reflected in decisions by the courts.

The objective of organized labor has been a very simple one—"We want more."

While this objective of organized labor is understandable, I believe there is wholly justifiable criticism of their adamant and uncompromising opposition to any reasonable amendments or improvements to our workmen's compensation laws.

The third factor bearing on this broadening trend is the indifference of management.

These developments pose some fundamental questions. Is all of this in the community interest or public interest? Can it be said that our workmen's compensation programs can command the confidence of the

public and even that of the working man when a widow and dependent children are given an award because their husband and father just happened to be at work on the employer's premises when he had his fatal heart attack, while the widow and children next door get nothing because their family head was so unfortunate as to have his fatal heart attack at home? Is this fair? Here is a good illustration of the discriminatory effect of current trends in workmen's compensation.

The rapidly rising cost of these programs poses another fundamental question for we have already seen the deterrent effects of high workmen's compensation costs upon one state in the competition with other states for industries.

What can be done about this situation?

I believe that management has an exceptional opportunity to exercise leadership in a way that will benefit everyone interested in these workmen's compensation programs.

I therefore propose to employers a six point program:

1. *Develop top-level interest, understanding and willingness to act.* I am amazed to continually find so very few top executives who are aware of their workmen's compensation costs. Here are men who are thoroughly familiar—almost to the penny—with their ordinary costs of doing business and yet they utterly lack detailed information about their costs of workmen's compensation and unemployment insurance.

Only a few years ago one of the largest industrial concerns in this country—doing business in almost every state of the union—made a comparative survey of its workmen's compensation costs in different states. This company was astounded at the disparity it discovered.

The surest way to get anybody's active interest in a problem is to hit him in the pocketbook. By scrutinizing your workmen's compensation costs and comparing them in multistate operations, you will have a good starting point and incentive to engender a healthy interest in these programs.

2. *Develop adequate claim handling and supervision.* In the overwhelming majority of cases employers are insured under workmen's compensation instead of self-insuring. This unfortunately has lessened the incentive for insured employers to take a direct interest in their workmen's compensation claims. The general attitude is "let my insurance carrier take care of it." The employer should recognize that there is enough at stake here to warrant specific assignment of the responsibility for supervising the complete investigation of all accident and workmen's compensation claims and for working closely with the carrier in the preparation and handling of cases at hearings. It would be highly desirable for company officers to attend an important controverted compensation hearing once in a while. They would not only get first-hand information but they would demonstrate interest.

3. *Keep fully informed.* Individual employers should again designate someone in the company to keep fully informed on what is going on in the workmen's compensation programs in the states in which the firm operates. By studying reports from program administrators, by following court decisions and by assembling information from other sources, they can know generally what is happening and put their finger quickly on problems that should concern all employers.

4. *Be active in legislation.* Here is the area in which so many employers fail completely. Organized labor over the past 20 years has gained tremendously in power. As a result, labor's influence on legislation has been extraordinary. This is one reason why we find legislators generally reluctant to go along with employer proposals in the face of adamant labor opposition. I am firmly convinced that if individual employers recognized their obligation with respect to legislation and demonstrated a greater interest in workmen's compensation legislation, expressed their views locally to their legislators, attended public hearings and were not afraid to speak out, we could achieve much good for these programs. The day has long since passed when employers through any "cloakroom activity" can make their wishes felt in legislative halls.

5. *Develop better community and public relations.* I am confident that the overwhelming majority of employers in this country accept the principle of workmen's compensation and believe in it as the best way to take care of their employees who are injured on the job. Yet organized labor and other opponents of employers capitalize on the unwillingness of employers to publicly assert their views by a barrage of misinformation and smears all designed to show that the "big greedy employer" is absolutely opposed to the welfare of the working man and is doing his best to wreck the workmen's compensation program.

The best way for employers to develop good community and public relations in this regard is to get their story across to their own employees; to see to it that their employees know employers are just as anxious as the employees to have a sound and workable program; that employers stand ready to see that the employee is given prompt medical treatment and workmen's compensation benefits when he is entitled to them; that employers are ready to publicly support any proposed amendments to workmen's compensation laws when they are thoroughly in the interests of the program and the working man. Perhaps employees should be reminded that it is a matter of mutual interest for them to work with employers in achieving

an adequate and fairly administered workmen's compensation program. It is then relatively easy for the employer to get his story across on a community level. There are many ways—through company publications, by paid space in the press, by speaking before community groups, by working with the schools, to suggest a few.

6. *Stepped-up safety programs.* Top safety records call for good safety leadership and incessant care. Industry has made significant strides over the years in safety but we cannot afford to let up for a moment. I have seen fine companies achieve wonderful records—perfect records in safety—and then through indifference and carelessness slip to the point where their record became poor. There is simply no excuse for failure in the field of safety.

It is my earnest conviction that management has a very real opportunity not only to curb and control the serious rising costs of workmen's compensation but to exert a leadership which may check these disturbing and broadening trends in our workmen's compensation laws.

Briefs on Personnel Practices

Flu Immunization Cuts Lost Time

How did the Asian flu immunization program of 1957 affect illness absenteeism among employees? One group that has an answer to this question is General Electric Company's Missile and Ordnance Systems Department in Philadelphia. For in its records of absenteeism caused by Asian flu, the company's medical director finds clear evidence of the returns that are possible from preventive medical care.

According to the company's medical director, the program saved the department (which employs 2,893 people) approximately 5,296 work hours. This was determined by comparing the incidence of flu and the number of days of absence among employees who were vaccinated with the absenteeism among employees who were not vaccinated.

Of the 2,893 persons on the payroll, 2,728 or 94.3%, were inoculated with Asian flu vaccine.[1] Records for the thirteen-week period beginning in October, 1957, show that among the 197 employees who reported Asian flu infection, 171 had received the vaccine; twenty-six had not. The incidence of flu among those vaccinated, therefore, was 6.3% in contrast to 15.8% for those who did not receive the vaccine.[2] The vaccinated employees were absent 372 days for an average of 2.2 days per employee; the nonvaccinated individuals lost sixty-three days, an average of 2.4 days per employee.

Based on the record of employees who were not immunized, approximately 457 employees would have been absent had there been no inoculation program, concludes the company's medical director. This would have resulted in a total of 1,097 work days, or 8,776 hours, lost as a result of flu infection. When that figure is compared to the actual number of 197 persons who reported flu infections and lost 3,480 work hours, an approximate saving of 5,296 work hours can be attributed to the immunization program.

[1] The vaccination program was started in August, 1957. Almost all participants were inoculated by September 22, 1957. By late October, at the peak of the flu incidence among employees, it was assumed the inoculated individuals had attained a protective antibody level (which is said to be reached within two weeks after inoculation).

[2] Since the reported Asian flu cases were not investigated, the company's medical director believes it probable that some illnesses reported as Asian flu in both the vaccinated and nonvaccinated employee groups were actually caused by other viruses prevalent at the time.

Making the Career Day Meaningful

Companies planning career days at their plants for high school seniors may be interested in the program recently held by the Delco Products Division of General Motors at Dayton, Ohio. Talks, demonstrations, discussion periods, a plant tour, lunch, and an "examination," with awards, to test what the students had learned, filled the day.

Three of the procedures followed during Delco's career day may be of special interest:

Procedure	Comment
The company divided the group according to their vocational interests.	This made it possible for each leader to focus special attention on the departments and operations of most interest to his group.
The leaders demonstrated and explained in advance some of the processes that would be seen during the plant tour.	This made the actual observations more understandable and more meaningful to the students.
Company personnel conducted mock employment interviews with the students.	This brought home to the group the importance of a good background and of good training in getting a job after graduation. The interviewing added a realistic note to the career day experiences.

State Temporary Disability Insurance Programs

The four state plans covering temporary disability that is not job connected are examined in terms of how they are financed and who is covered

NEARLY FIFTY YEARS ago the United States embarked on its first social insurance program when the State of Washington enacted a workmen's compensation law in 1911. This law and the various state laws that followed are designed, of course, to maintain the income of employees who cannot work because of a job-connected disability.

In 1935, a national social insurance program—unemployment compensation—was developed to maintain the income of workers who are unemployed because of lack of work.

During the years that followed, considerable interest was shown in a further extension of government programs to provide income to employees who are unable to work because of nonoccupational disability, especially since such a disability means that the employee is not eligible for unemployment compensation in most states.

Not until 1942, however, was the first concrete step taken. In that year, Rhode Island diverted the employee contributions to its unemployment insurance program into a new state fund to provide disability pay for nonwork-connected disability. In 1946, California installed a similar temporary disability insurance program; and in 1948, New Jersey followed suit. Both of these states, like Rhode Island, used employee contributions to unemployment insurance to help finance the new state disability insurance program.

New York, which has never used employee contributions to finance unemployment compensation, is the most recent state to enact a nonoccupational disability insurance system. The program began in 1949.

In these four states, then, an employed worker has state protection against wage loss because of occupational and nonoccupational disability as well as against wage loss because of lack of work.[1]

The maximum benefits payable for nonoccupational disability in the four states are:

- California: $50 per week for twenty-six weeks, for each disability.
- New York: $45 per week for twenty-six weeks, for each disability; but no more than twenty-six weeks in any consecutive fifty-two weeks.
- New Jersey: $35 per week for twenty-six weeks, in any twelve-month period.
- Rhode Island: $30 per week for twenty-six weeks, in any benefit year.

All four states have a provision for worker contributions to support the disability insurance systems. Employee contributions to these state plans are as follows: 1% of the first $3,600 of wages in California and Rhode Island; one-half of 1% of the first $3,000 of earnings in New Jersey; and 30 cents per week in New York (or one-half of 1% of earnings, if less).

Perhaps the most important difference among the four state plans is in their treatment of private company group insurance plans. At one extreme is Rhode Island with a state plan paid for solely by covered workers; the existence of private company plans is ignored. At the other extreme is the New York law which, for all practical purposes, is a compulsory private group insurance system. California and New Jersey, on the other hand, allow employers a choice; they can provide benefits through a state fund or they can use private group insurance. A California employer who chooses the state fund pays nothing for the benefits his employees receive; but a New Jersey employer under the state fund must contribute to it.

The basic provisions of the four state laws are outlined here, although no attempt has been made to describe many of the minor provisions of each law.[1]

THE RHODE ISLAND LAW

The outstanding feature of the Rhode Island temporary disability system is that the entire cost of maintaining the program is paid by the covered workers. And any private plan of a company is, in every respect, ignored by the system. In the other three states, some or all covered employers help to finance the system, and privately insured company plans are an integral part of the system.

Practically the sole function assigned to the Rhode Island employer is to collect, and transmit to the state,

[1] The Federal Government program for workers covered by the Railroad Retirement Act, which was adopted in 1946, is not included in this discussion.

[1] See "Comparison of Temporary Disability Insurance Laws, July, 1957," Department of Labor, Bureau of Employment Security, for a tabular presentation of the provisions of these laws. Also, "Experience and Problems under Temporary Disability Insurance Laws," by Margaret Dahm, Department of Labor, Bureau of Employment Security, October, 1955.

For recent operating statistics, see "Significant Temporary Disability Insurance Data, 1956," by Albert A. Belman, Department of Labor, Bureau of Employment Security, April, 1958.

the employee wage tax which finances the benefits and administration of the system. Currrently a covered worker pays 1% of the first $3,600 of his wages to the state fund. Any claim for benefits is made upon this state fund and paid from it.

Furthermore, benefits from the state fund are paid regardless of any benefits a worker may receive from his employer through a paid sick-leave plan or group insurance plan. According to Rhode Island officials, the "legislature, in approving the creation of this type of social insurance, was concerned that no harm be done to existing private programs of insurance or wage continuation or to the development of such programs. Since the TDI fund is entirely supported by employee contributions, the denial of benefits to workers participating in similar private programs would result in a discriminating tax upon a portion of the labor force while withholding from it eligibility for the program's benefits."[1]

Coverage and Eligibility

The Rhode Island program (as well as that of California and New Jersey) is coordinated with the state unemployment compensation system and covers the same group of workers. Currently all workers in establishments with one or more employees are covered by the Rhode Island disability system.[2]

To be eligible for benefits, a covered worker must be unable to perform his "regular or customary" work because of physical or mental conditions and must be in the labor market at the time of disability. In addition, he must have earned a specified amount in the last four calendar quarters preceding the benefit year. (A benefit year begins on the date a claim is filed.) Currently this specified amount is at least thirty times that of the weekly benefit for which an employee qualifies. And since the minimum benefit is $10 per week, an employee must have earned at least $300 in the base period.

A final condition for receiving benefits is an uncompensated seven-day waiting period in each benefit year. This uncompensated period needs to be met only once in a benefit year regardless of the number of subsequent periods of disability in that year. However, any further periods of disability in a benefit year are compensated only if they last at least seven consecutive days.

Benefits

Weekly cash sickness benefits are identical to unemployment compensation: that is, one-twentieth of the wages in the quarter of highest earnings in the base period. Minimum and maximum benefits are $10 and $30 per week. The duration of weekly payments in a benefit year ranges from 5.2 weeks to twenty-six weeks, depending on total earnings during the base period.

As in the other three states, the Rhode Island law provides that receipt of unemployment compensation for any week is a disqualification for disability insurance benefits for that week. However, if an employee becomes disabled while unemployed he can draw disability benefits, which are the same as those paid to a worker who becomes disabled while employed.

THE CALIFORNIA LAW

The California disability insurance system is unique among the four states in one respect: in addition to providing cash disability income, it also provides for payment of hospital bills. A hospitalized employee can receive hospital benefits of $12 per day for twenty days in any one benefit period.

The other major distinguishing feature of the California plan is that it has a worker-supported state fund like that of Rhode Island but allows an employer to "contract out" of the state plan—if he is willing to provide specified private insurance benefits and assume some of the costs of his plan. New Jersey, too, provides for substitute private plans, but in that state employers who remain under the state fund must help pay for state-plan benefits.

The State-Operated Plan

The operation of the California state fund is essentially the same as that of the Rhode Island fund. It covers the same workers as the unemployment compensation system: workers in establishments with one or more employees and a quarterly payroll of $100 or more. The costs of benefits and administration are financed entirely by an employee wage tax, currently 1% of the first $3,600 of wages. An employer whose workers are under the state-operated plan pays nothing.

As in Rhode Island, an employee under the state fund can draw state benefits even though he receives benefits from his employer through an uninsured sick leave or group insurance plan. Benefits from a group insurance plan are completely ignored by the state plan even if entirely financed by the employer; but the total of uninsured sick pay and state benefits cannot be more than the wages received prior to the disability. In Rhode Island an employee can receive full wages from a sick leave plan and still draw full state benefits.

To be eligible for benefits in California, a covered worker must be unable to perform his "regular or customary" work because of physical or mental conditions. And he must be in the labor market at the time of disability. If he has not been employed or registered at a public employment office for more

[1] "Pioneering in Temporary Disability Insurance," by M. Gurjian and F. L. Walsh, *Employment Security Review*, January 1956, p. 32.

[2] As in the other three states, certain occupational groups are excluded altogether. Generally, these include farm laborers, domestics, government employees and employees of nonprofit organizations.

than three months prior to the disability, he must prove that unemployment is due to disability and not to withdrawal from the labor market. In addition, the disabled worker must have earned at least $300 during the "base period." [1]

California, like New Jersey and New York, applies a seven-day uncompensated waiting period for each separate period of disability, although there is no waiting period for hospitalized employees in California. As already stated, the Rhode Island plan has only one waiting period in a benefit year, regardless of the number of separate disabilities which occur during that time.

Benefits from the state fund range from a minimum of $10 per week to a maximum of $50 per week and can be paid for as many as twenty-six weeks for each separate disability. The amount of weekly income is based on a schedule of high-quarter earnings during the base period. This schedule is not the same as the one used for unemployment compensation (as in Rhode Island) and generally pays somewhat higher benefits.

As already indicated, the California plan provides additional cash benefits of $12 per day up to twenty days of hospitalization for each disability. There is no waiting period for these benefits and an employee can receive these hospital benefits even though his costs are covered by other group insurance.

As in the other three states, an employee cannot draw disability pay while receiving unemployment compensation. However, if he becomes disabled while unemployed (and, therefore, is ineligible for unemployment compensation), he can draw disability pay benefits identical to those paid to a covered worker who becomes disabled while employed.

The cost of paying benefits to insured workers who become disabled while unemployed—or while employed in noncovered jobs—is shared between the state fund (that is, worker contributions) and private plan employers through the "extended liability account." This account is charged at the end of each calendar year with the benefit payments to unemployed workers and is credited with the annual interest on employee contributions made in 1944, 1945, and part of 1946. If there is a deficit, it is made up by assessing both the state fund and private plan employers not more than 0.03% of taxable wages.

Substitution of Private Plans

In California, as in New Jersey, all workers covered by the disability law are automatically covered by the state-operated plan. However, an employer is allowed to "contract out" of the state plan by substituting a private plan (either insured or self-insured). If this private plan is approved by the state, the workers are no longer covered by the state-operated plan nor do they pay the wage tax to the state. However, until such time as the private plan is approved and until a worker meets the eligibility requirements of the private plan, he remains under the state plan. At the present time, about half of the workers in covered employment are under private plans. About 12% of the covered employers have substituted private plans.

To be approved by the state, a private plan must meet the following conditions:

- The private plan must meet all of the standards of the state plan described above and must be more liberal in at least one respect.
- A private plan will be approved only if it does not result in a "substantial selection of risks adverse" to the state disability fund.
- A private plan must provide benefits for any employee who becomes disabled within two weeks after termination.
- The private plan cannot be substituted without

Relationship to Workmen's Compensation

When the Rhode Island law first went into effect, full cash sickness benefits were paid for disabilities for which the worker was receiving workmen's compensation benefits. Currently, however, temporary disability insurance benefits are adjusted so that the total benefits from this source and workmen's compensation are 85% of the average weekly wage on the last job or $53, whichever is least. However, no deductions are made because of lump-sum workmen's compensation awards or for retroactive awards related to a period during which disability benefits were already paid.

California, too, allows an employee to draw cash sickness benefits at the same time he is receiving weekly workmen's compensation benefits. If workmen's compensation benefits are less than cash sickness benefits, the difference is paid the worker. If a decision concerning eligibility for workmen's compensation has not been made, temporary disability insurance is payable but is subject to reimbursement from future workmen's compensation benefits for the period.

New Jersey and New York will not pay cash sickness benefits at any time an employee receives workmen's compensation benefits. New Jersey requires that an employee pay back the disability benefits if he subsequently receives workmen's compensation for the period. The New York plan does not provide for benefits for work-connected disabilities whether compensable under workmen's compensation or not.

[1] If the employee has an unexpired unemployment compensation benefit year, the base period for disability qualification is the unemployment compensation base period. If he does not have an unexpired unemployment insurance benefit year, the base period is the first four of the last five calendar quarters preceding a disability which begins in the second or third month of a quarter. (If disability begins in the first month of a quarter, the base period is the first four of the six quarters preceding disability.)

the consent of the majority of the workers to be covered. And even if the majority accept the plan, an individual can elect to remain under the state-operated plan.

- If an employee contributes to the private plan, the amount cannot be more than he would contribute to the state-operated plan (1% of his first $3,600 of wages).
- If employee contributions do not cover premium costs, the employer must pay the balance. This is in addition to the 0.03% assessment for benefits to unemployed workers.

THE NEW JERSEY LAW

The New Jersey law is essentially the same as that of California, with one major exception. Under the New Jersey system, employers in the state-operated plan must help finance the benefits and administrative costs of the state fund. This accounts for what is perhaps the most distinguishing feature of the New Jersey program: an experience-rating technique in the state-operated plan. As in California, all employers subject to the law are covered by the state plan unless a private plan is approved as a substitute. But in New Jersey, both workers and employers in the state plan help pay its costs. Covered employees pay one-half of 1% of the first $3,000 of wages. Employers pay anywhere from 0.01% of taxable payroll up to 0.75% according to the disability experience of the employer.

The New Jersey plan, like Rhode Island and California, covers the same workers as the unemployment compensation system—in this case, workers in establishments with four or more employees. But, in effect, New Jersey has two separate disability programs—one for workers who become disabled while in covered employment and one for certain other workers who are covered by the system. A worker can receive disability benefits from both programs in any year; and benefits from one have no effect on the right to benefits from the other. Because the two state-operated systems are quite distinct, they are described separately here.

Disability during Employment

The basic program, of course, is designed to provide disability pay to workers who become disabled while working in covered employment. (Included in this group are eligible workers who become disabled within fourteen days after leaving covered employment, either because they become unemployed or because they go to noncovered employment.)

As in California and Rhode Island, an employee under the state fund can draw state benefits while he receives benefits from his employer through a group insurance plan, even if the plan is completely financed by his employer. Like California, New Jersey provides that state benefits plus private sick pay (uninsured) cannot exceed the wages received prior to the disability. However, unlike the other three states, New Jersey reduces benefits for employed workers by the amount of any federal OASI benefits received and by any pension payments from the most recent private employer.

A disabled employee must have seventeen weeks of covered employment in the base period to qualify for benefits.[1]

New Jersey, like California, applies a seven-day uncompensated waiting period for each separate period of disability.

Benefits from the state-operated plan range from $10 per week to a maximum of $35 per week and can be paid for twenty-six weeks in any twelve-month consecutive period. These weekly benefits are computed as two-thirds of the first $45 plus two-fifths of the remaining average weekly wage.[2]

Disability during Unemployment

The second program under the New Jersey law provides disability income to employees who have been out of covered employment for more than fourteen days at the time of the disability. This group includes not only those who are disabled while unemployed but also those who are disabled while working in noncovered employment if they have base-period earnings in covered employment.

To be eligible for benefits, an unemployed worker must be unable to perform *any* work, not merely his regular job as is the case with employed workers.

Like the employed worker, an unemployed worker must have seventeen weeks of covered employment in the base period to qualify for benefits.[3]

Unemployed workers, like employed, have a seven-day uncompensated waiting period before benefits begin; this waiting period is either one week of unemployment or seven consecutive days of disability.

The minimum and maximum benefits available to unemployed workers are the same as those for employed workers: $10 and $35 per week, respectively. Benefits are computed by the same formula also: two-thirds of the first $45 plus two-fifths of the remaining average weekly wage.[4]

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[1] The base period is the fifty-two calendar weeks immediately preceding the calendar week in which the period of disability begins. A base week is one in which wages from one employer are $15 or more.

[2] The average weekly wage is the average weekly earnings from one employer in the eight weeks preceding disability; or, if larger, average weekly earnings using all employment during the last eight weeks.

[3] However, the base period is defined differently: it is the fifty-two weeks ending with the second week preceding a benefit year. The benefit year begins with a valid claim either for disability during unemployment or for unemployment insurance. (There is no benefit year for employed disabled workers.)

[4] However, average weekly wage is defined differently for the unemployed worker. It is the average in all seventeen base weeks with one employer; if the worker does not have seventeen base weeks with any one employer, the average wage paid by all employers in the seventeen base weeks is used.

Benefits for Pregnancy

Rhode Island is the only one of the four states that considers normal pregnancy a disability under the law; however, benefits are not paid for more than twelve consecutive weeks, beginning six weeks prior to the expected date of childbirth.

The New Jersey law, at the other extreme, provides no benefits for any disability related to pregnancy.

Both California and New York provide benefits, but only some time after termination of pregnancy. The California plan makes payments for illness connected with pregnancy only if it occurs more than twenty-eight days after childbirth. Under the New York law, private employers do not have to provide benefits unless employee has returned to work for at least two consecutive weeks following the termination of pregnancy.

In New Jersey, as in the other states, disability and unemployment benefits cannot be paid simultaneously. And although they may be paid in the same benefit year, unemployment benefits may restrict the amount of disability benefits paid the unemployed worker—which is not the case in the other three states. This is because the total of both benefits cannot exceed one and one-half times the total amount receivable for either unemployment or disability. Furthermore, no disability benefits will be paid beyond the twenty-sixth week of unemployment.

Benefits to unemployed workers are paid from a special account very similar to the California "extended liability account." The account is credited each year with interest and earnings on $50 million of worker contributions paid prior to 1948. If the account shows a deficit, private-plan employers as well as the state fund can be assessed up to 0.02% of taxable wages.

Substitution of Private Plans

In New Jersey, all workers and employers subject to the disability law are covered automatically by the state-operated plan. As in California, employers are allowed to "contract out" of the state plan by substituting an approved private plan (either insured or self-insured). At the present time, about two-thirds of the workers in covered employment are under approved private plans. About 28% of covered employers have substituted a private plan.

To be approved by the state, a private plan must meet the following conditions:

- The weekly amount and the duration of benefits must at least equal those in the state plan. Eligibility requirements cannot be more restrictive than the state plan.
- A private plan must provide benefits for any employee who becomes disabled within two weeks of termination of employment.
- If employees contribute to a plan, the majority of workers covered must consent to the plan. If a majority approve the plan, all are covered; no individual can elect to remain under the state plan as in California.
- Employee contributions to a plan cannot be more than contributions under the state plan (one-half of 1% of the first $3,000 of wages).
- If employee contributions do not cover premium costs, the employer must pay the balance. This is in addition to both the 0.02% assessment for benefits to unemployed workers and the 0.02% assessment to cover state costs of administering private plans.

THE NEW YORK LAW

For all practical purposes, the New York system is one of compulsory private group insurance, and as such is unique among the states. The law itself merely sets minimum standards of protection for private plans, and employers must make their own arrangements for providing the necessary benefits for their workers.

An employer can choose one of three ways for providing these statutory disability benefits: (1) he can buy commercial group insurance; (2) he can install an approved plan of self-insurance; or (3) he can buy insurance from the New York State Insurance Fund. This fund is a state-operated carrier, which works exactly like a private carrier except that it cannot refuse coverage to any employer who applies for it. Less than 5% of the covered workers in New York are protected by this state-owned carrier.

The New York law, like that of New Jersey, distinguishes between workers who become disabled while employed and those who become disabled while unemployed. Benefits for unemployed workers are provided by a special state fund; benefits for employed workers are provided through private company plans.[1]

Because of the difference in treatment of employed and unemployed workers, provisions for the two groups are described separately here.

Benefit Standards for Employed Workers

The New York law provides that all employers, except those in certain specified activities,[2] must provide disability benefits if they have four or more workers during any thirty-day period.

The private plan must cover all employees after four

[1] In the event that an employer is without insurance and does not provide the proper benefits, the state pays benefits from the special fund for the unemployed disabled and then collects these payments from the employer.

[2] See footnote 2 on page 224.

consecutive weeks with the company. However, benefits must be provided immediately upon employment for any employee: (1) who worked for some other covered employer at least four consecutive weeks immediately prior to the time of hire; (2) who was receiving unemployment compensation at the time of hire; or (3) who at the time of hire had been eligible to receive benefits for a disability while unemployed.

The statutory weekly benefit for which employees must be insured is equal to one-half of the average weekly wage in the last eight weeks prior to disability. The maximum payment is $45 per week for twenty-six weeks in one period of disability or in any fifty-two consecutive weeks. Benefits do not have to be paid for the first seven days of a disability at the beginning of each period of disability.

It should be noted that New York, unlike California and New Jersey, does not require that weekly benefits and the duration of benefits be identical to the statutory benefits. Private plan benefits only have to be "actuarial equivalents" of the statutory benefits. However, at least 60% of the benefit must be paid in cash. The other 40% may be made up of other benefits (including hospital care) judged to be the actuarial equivalents devised by the workmen's compensation board.[1]

Employers are allowed to have employees contribute one-half of 1% of earnings to the private plan, with a maximum contribution of 30 cents per week. The employer must pay any additional costs necessary to provide benefits.

As in California and New Jersey, a private plan must continue to cover employees for some period of time after an employee leaves the company. In New York, coverage must continue for at least four weeks after termination. However, this extended coverage terminates earlier if the worker becomes employed by another covered employer or if he works more than five days with a noncovered employer.

State Benefits for Unemployed Workers

If a covered worker is unemployed for more than the four weeks in which the extended coverage provisions of the private plans operate, he can receive disability benefits from a special state fund for disability during unemployment. This fund was set up initially by a special assessment during the first six months of 1950 on employers and workers. When the fund drops below a specified level it is replenished by a special assessment against insurance carriers.

To qualify for benefits, a disabled worker must be unemployed at the time the disability begins and he must be unable to perform any duties for which he is reasonably qualified by training and experience. A disabled worker is ineligible for any benefits if he worked more than five days in noncovered employment after his covered employment was terminated. Also a worker is not eligible for benefits if he fails to establish eligibility for unemployment compensation, for any reason other than lack of qualifying wages.

The benefits provided an eligible unemployed worker are the same as the statutory benefits under private plans. The weekly benefit is one-half the average weekly wage in the last eight weeks of covered employment prior to the commencement of disability, with a maximum benefit of $45 per week. Benefits are provided for twenty-six weeks for each separate disability, but not for more than twenty-six in any fifty-two week period. And no benefits are payable beyond the twenty-sixth week of unemployment. If an employee is not qualified for unemployment insurance, there is a seven-day waiting period for each separate disability. If the worker is an unemployment insurance claimant, the waiting period is that for unemployment insurance.

HARLAND FOX
Division of Personnel Administration

[1] Unlike the other three states, the New York law is administered by the workmen's compensation system rather than the unemployment insurance program. However, benefits and eligibility are not related to the workmen's compensation program or the unemployment insurance system.

Management Bookshelf

Group Disability Insurance—This book is another in the series of Ph.D. dissertations of the Heubner Foundation for Insurance Education fellows at the University of Pennsylvania. Characteristics of wage replacement insurance, accidental death and dismemberment and hospital-surgical and major medical policies are described in detail. For each type of insurance, the author discusses policy contracts, premium rates, rating and underwriting, and administration of these coverages. This information is based on data from eleven group-disability companies that write approximately 70% of all group disability insurance in the United States. *By Jesse F. Pickrell, Richard D. Irwin, Inc., Homewood, Ill., 1958, 255 pp., $5.*

Trade Union Leadership—This book is a close-up picture of a trade union leader. Based on a study of the late Arthur Deakin, who was general secretary of the British Transport and General Workers' Union, it analyzes the conditions in which a trade union leader works, with particular attention given to the forces that act on him as well as the scope he has for independent action. *By V. L. Allen, Harvard University Press, Cambridge, Massachusetts, 1957, 336 pp., $6.*

Techniques of Attitude Scale Construction—A half-dozen methods of developing attitude scales are described step by step in this how-to-do-it volume by a professor of psychology at the University of Washington. The book is intended mainly for those with a background in statistical procedures. *By Allen L. Edwards, Appleton-Century-Crofts, Inc., New York, New York, 1957, 256 pp., $4.*

Significant Labor Statistics

Item	Unit	1958 April	1958 Mar.	1958 Feb.	1958 Jan.	1957 Dec.	1957 Nov.	1957 Oct.	Year Ago	Percentage Change: Latest Month over Previous Month	Percentage Change: Latest Month over Year Ago
onsumer Price Indexes											
All Items (NICB)	1953 = 100	107.2	106.8	106.6	106.3	106.0	105.9	105.4	103.9	+0.4	+3.2
Food	1953 = 100	107.6	106.4	105.4	104.5	103.6	103.5	103.5	100.6	+1.1	+7.0
Housing	1953 = 100	106.8	106.8	106.9	106.8	106.3	106.1	106.0	105.4	0	+1.3
Apparel	1953 = 100	102.2	102.0	102.0	102.0	102.0	102.0	102.0	101.1	+0.2	+1.1
Transportation	1953 = 100	108.5	108.5	108.8	109.6	110.2	110.3	107.4	107.4	0	+1.0
Sundries	1953 = 100	109.6	109.4	109.3	109.1	108.9	108.6	108.3	106.3	+0.2	+3.1
Purchasing value of dollar	1953 dollars	93.2	93.6	93.8	94.0	94.4	94.5	94.9	96.2	−0.4	−3.1
All Items (BLS)	1947–1949 = 100	123.5	123.3	122.5	122.3	121.6	121.6	121.1	119.3	+0.2	+3.5
mployment Status[1]											
Civilian labor force	thousands	68,027	67,510	67,160	66,732	67,770	68,061	68,513	66,951	+0.8	+1.6
Employed	thousands	62,907	62,311	61,988	62,238	64,396	64,873	66,005	64,261	+1.0	−2.1
Agriculture	thousands	5,558	5,072	4,830	4,998	5,385	5,817	6,837	5,755	+9.6	−3.4
Nonagricultural industries	thousands	57,349	57,239	57,158	57,240	59,012	59,057	59,168	58,506	+0.2	−2.0
Unemployed	thousands	5,120	5,198	5,173	4,494	3,374	3,188	2,508	2,690	−1.5	+90.3
age Earners[23]											
Employees in nonagr'l establishm'nts	thousands	p 50,232	r 50,176	r 50,223	50,937	53,084	52,789	53,043	52,270	+0.1	−3.9
Manufacturing	thousands	p 15,095	r 15,366	r 15,603	15,877	16,316	16,573	16,783	16,822	−1.8	−10.3
Mining	thousands	p 766	r 771	r 784	803	825	829	837	833	−0.6	−8.0
Construction	thousands	p 2,748	r 2,538	r 2,374	2,606	2,850	3,059	3,224	2,906	+8.3	−5.4
Transportation and public utilities	thousands	p 3,895	r 3,919	r 3,954	3,995	4,100	4,123	4,159	4,153	−0.6	−6.2
Trade	thousands	p 11,222	r 11,230	r 11,244	11,432	12,365	11,840	11,664	11,428	−0.1	−1.8
Finance	thousands	p 2,355	r 2,345	2,339	2,340	2,349	2,355	2,356	2,320	+0.4	+1.5
Service	thousands	p 6,572	r 6,444	r 6,399	6,396	6,473	6,512	6,547	6,432	+2.0	+2.2
Government	thousands	p 7,579	r 7,563	r 7,526	7,488	7,806	7,498	7,473	7,376	+0.2	+2.8
Production and related workers in mfg. employment											
All manufacturing	thousands	p 11,315	r 11,560	r 11,777	12,033	12,458	12,703	12,893	12,960	−2.1	−13.7
Durable	thousands	p 6,321	r 6,484	r 6,631	6,850	7,136	7,305	7,389	7,635	−2.5	−17.2
Nondurable	thousands	p 4,994	r 5,076	r 5,146	5,183	5,322	5,398	5,504	5,325	−1.6	−6.2
Average weekly hours											
All manufacturing	number	p 38.3	r 38.6	38.4	38.6	39.4	39.3	39.5	39.8	−0.8	−3.8
Durable	number	p 38.8	r 39.0	38.6	38.9	39.7	39.7	39.9	40.5	−0.5	−4.2
Nondurable	number	p 37.6	38.1	38.1	38.3	39.0	38.7	39.1	38.9	−1.3	−3.3
Average hourly earnings											
All manufacturing	dollars	p 2.11	r 2.11	2.10	2.10	2.10	2.11	2.09	2.05	0	+2.9
Durable	dollars	p 2.24	r 2.25	2.24	2.24	2.24	2.24	2.23	2.18	−0.4	+2.8
Nondurable	dollars	p 1.94	1.93	1.92	1.92	1.92	1.92	1.90	1.87	−0.5	+3.7
Average weekly earnings											
All manufacturing	dollars	p 80.81	r 81.45	80.64	81.06	82.74	82.92	82.56	81.59	−0.8	−1.0
Durable	dollars	p 86.91	r 87.75	86.46	87.14	88.93	88.93	88.98	88.29	−1.0	−1.6
Nondurable	dollars	p 72.94	73.53	73.15	73.54	74.88	74.30	74.29	72.74	−0.8	+0.3
Straight time hourly earnings (estimated)											
All manufacturing	dollars	p 2.07	2.06	2.06	2.06	2.07	2.06	2.03	2.00	+0.5	+3.5
Durable	dollars	p 2.20	2.20	2.19	2.20	2.19	2.19	2.16	2.11	0	+4.3
Nondurable	dollars	p 1.91	1.90	1.89	1.89	1.88	1.88	1.86	1.83	+0.5	+4.4
urnover Rates in Manufacturing[2]											
Separations	per 100 employees	p 3.9	r 4.2	3.9	5.0	3.6	4.0	4.0	3.3	−7.1	+18.2
Quits	per 100 employees	p 0.7	r 0.7	0.7	0.8	0.6	0.9	1.3	1.3	0	−46.2
Discharges	per 100 employees	p 0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0	0
Layoffs	per 100 employees	p 2.9	r 3.2	2.9	3.8	2.6	2.7	2.3	1.5	−9.4	+93.3
Accessions	per 100 employees	p 2.4	r 2.4	2.2	2.5	1.6	2.2	2.8	2.8	0	−14.3

[1] Bureau of the Census. Beginning with January, 1957, employment status figures reflect slightly modified definitions of employment and unemployment.
[2] Bureau of Labor Statistics.
[3] The BLS has adjusted its nonfarm employment and hours and earnings series to first quarter 1955 benchmark levels. The benchmark level is the total count of workers covered in each industry, and in this instance the data were received from government social insurance programs. The adjustment affects all figures since February, 1956.
p Preliminary. r Revised.

Labor Press Highlights

Auto Workers' Union Tightens Its Belt

A HEAVY loss of dues-paying members caused by widespread layoffs has created financial problems for the United Auto Workers. Accordingly, the union has taken steps to curtail its expenditures, reports *Solidarity*. Among the measures being adopted in order to cut down on expenses are the following:

1. International officers and executive board members have agreed to take a 10% pay cut during the months of June, July, August and September, 1958. All other staff personnel (except those covered by collective bargaining agreements) are being asked to voluntarily do likewise.

2. Stringent economies are to be made in expenses, covering such items as the union's radio programs, its newspaper, travel, conferences, and other "administrative" expenses.

3. A staff reduction of ninety-seven persons has been made. This cutback affected twenty-eight persons from national service departments, fifty from national organization departments, and nineteen from regional service staffs.

In an administrative letter to local union officials, President Walter Reuther explains the reasons behind the economy moves. According to Mr. Reuther, the union's loss of revenue comes at a time when the demand for union services is at a peak, and the union most needs to be in a strong financial position.

Discussing the staff reduction, Mr. Reuther maintains that "the work and needs of the union . . . must, of necessity, be the controlling factors" in deciding who is to be laid off. But, "every effort will be made to protect the equity of the individual staff member on a broad union basis, with due consideration to the needs of the union and the responsibilities of the individual staff member, including his experience and length of service in the union at the local, regional and national levels."

In the letter Mr. Reuther also explains why the UAW program to cut expenses must differ from similar management programs. He points out that "as a nonprofit organization, the UAW does not have access to excessive profits, reserves or flotation of stocks and bonds to raise revenue to tide it over an emergency period." Nor, says Mr. Reuther, can the union raise its dues or switch monies from one fund to another. These are matters fixed by the union's constitution, and can only be altered through constitutional change at a convention. Moreover, says Mr. Reuther, the UAW is not imposing a wage cut on anyone. It is a purely voluntary move on the part of the staff.

Union Financial Statements

An earlier edition of *Solidarity* carries the financial report of the United Auto Workers for the year 1957. (A summary of this report, as well as the financial reports of twenty other unions, recently published in the labor press, is printed on the following page.) Total assets of the United Auto Workers as of December 31, 1957, amounted to $36 million, an increase of $1 million over December 31, 1956. Liquid assets of $24.4 million, however, represent a decrease of almost $1.9 million since December 31, 1956.

Among the other unions whose financial reports are summarized, the independent Teamsters had the largest total assets, $41.2 million, an increase of $2 million since December 31, 1956.

Steelworkers' Union Sets 1958 Wage Policy

The United Steelworkers of America, in an official wage policy statement, have announced their 1958 bargaining goals in dealing with steel fabricating firms. (Since basic steel and aluminum agreements do not expire until 1959, these policies only apply to companies outside these areas.) Among the aims adopted by the Steelworkers' wage policy committee are the following:

1. Wages: As a minimum, the Steelworkers call for increases at least as large as those the long-term basic steel contracts provide, plus additional increases to cover "any deficiency for any prior period," plus an extra 5 cents an hour each year where differentials or inequities exist.

2. Cost of Living: The Steelworkers want escalator clauses in fabricating firm contracts like those in basic steel, and they want extra wage increases to make up for past cost of living increases that they have missed.

3. Fringes: One of the major goals of the Steelworkers, according to the wage policy statement, is a reduction in the number of hours of work—either through a shorter workweek or day, or through extended vacation periods. Other fringe improvements called for include time and one-half for Saturday and double time for work on Sunday, as such; a SUB plan providing fifty-two weeks of benefits, and noncontributory group insurance and pension plans providing benefits at least equal to those in basic steel.

(Text continued on page 236)

Finances of Twenty-one Labor Organizations, as Listed in the Labor Press

Union and Source of Data	Period Covered	Total Assets	Total Liabilities	Per Capita Tax	Total Income Including Per Capita Tax	Total Expenses
Auto Workers, AFL-CIO *Solidarity*	Jan. 1, 1957 to Dec. 31, 1957	$36,086,262.73	$356,581.44	*n.l.*	$28,987,324.24[a]	$28,809,894.05
Cigar Makers, AFL-CIO *Cigar Makers' Journal*	Jan. 1, 1957 to Dec. 31, 1957	(Net worth $147,819.71)		*n.l.*	69,828.55	74,214.91
Clothing Workers, AFL-CIO *The Advance*	Jan. 1, 1956 to Dec. 31, 1957	8,327,881.76	137,271.59	6,682,299.33	8,187,372.88	8,386,046.84
Garment Workers, Ladies', AFL-CIO *Justice*	Jan. 1, 1957 to Dec. 31, 1957	35,632,868.99	19,212,888.47	5,145,643.89	9,682,185.77	6,343,332.83
Hat Workers, AFL-CIO *The Hat Worker*	Jan. 1, 1957 to Dec. 31, 1957	*n.l.*	*n.l.*	608,859.77[b]	613,211.54	494,494.26
Industrial Workers, Allied AFL-CIO *Allied Industrial Worker*	Jan. 1, 1957 to Dec. 31, 1957	1,148,767.31	134,167.49[c]	660,771.75[d]	1,156,567.90	1,239,426.08
Longshoremen and Warehousemen, ind. *The Dispatcher*	Jan. 1, 1957 to Dec. 31, 1957	82,002.39	44,173.57	524,298.23	553,894.14	551,391.12
Machinists, AFL-CIO *The Machinist*	Jan. 1, 1957 to Dec. 31, 1957	18,612,139.99	500,025.49	*n.l.*	13,728,407.27	12,840,593.32
Newspaper Guild, AFL-CIO *The Guild Reporter*	Nov. 1, 1957 to Jan. 31, 1958	95,972.66[e]	8,858.03[e]	*n.l.*	*n.l.*	116,200.98[e]
Papermakers and Paperworkers, AFL-CIO *United Paper*	Mar. 1, 1957[f] to Dec. 31, 1957	*n.l.*	*n.l.*	1,773,889.05[e]	1,873,993.18[e,g]	2,124,289.80[e]
Pulp, Sulphite and Paper Mill Workers, AFL-CIO *Pulp, Sulphite and Paper Mill Workers' Journal*	Jan. 1, 1957 to Dec. 31, 1957	5,289,492.62	none	2,919,221.98	3,162,717.08	2,958,459.65
Railroad Trainmen, AFL-CIO *Trainman News*	Jan. 1, 1957 to Dec. 31, 1957	4,725,630.67	69,855.77	2,723,971.90	14,917,836.90	14,426,307.41
Railway and Steamship Clerks, AFL-CIO *Railway Clerk*	Jan. 1, 1957 to Dec. 31, 1957	11,579,959.48	129,710.54	3,749,513.52[h]	4,137,029.26	3,468,150.63
Retail, Wholesale and Department Store Union, AFL-CIO *RWDSU Record*	Jan. 1, 1957 to Dec. 31, 1957	280,978.69	21,085.09	1,177,986.85	1,201,750.39	1,147,315.56
Pacific Coast Marine Firemen, Oilers, Watertenders and Wipers, (affiliate of Seafarers' International Union, AFL-CIO) *Marine Fireman*	Dec. 26, 1956 to Dec. 25, 1957	*n.l.*	*n.l.*	419,751.00[b]	657,885.25	1,024,274.58
Sailors Union of the Pacific (affiliate of Seafarers' International Union, AFL-CIO) *West Coast Sailors*	Jan. 1, 1957 to Dec. 31, 1957	4,790,694.28	1,792,394.82[i]	964,981.01[b]	1,020,631.79	*n.l.*
Stage Employees, AFL-CIO *IATSE Official Bulletin*	Jan. 1, 1957 to Dec. 31, 1957	1,200,818.42	51,680.72[j]	840,614.75[e]	904,874.30[e]	991,371.09[e]
Teamsters, ind. *The International Teamster*	Jan. 1, 1957 to Dec. 31, 1957	41,211,903.21	2,708,905.40	6,786,570.40	7,631,016.01	7,704,831.77
Textile Workers Union, AFL-CIO *Textile Labor*	Mar. 1, 1957 to Feb. 28, 1958	5,997,979.19	13,991.78	3,163,646.25	4,772,117.98	4,795,954.80
Typographical Workers, AFL-CIO *The Typographical Journal*	May 21, 1957 to Nov. 20, 1957	(Net worth $11,329,127.58)		326,723.00[e]	459,873.78[e]	499,813.32[e]
Upholsterers, AFL-CIO *UIU Journal*	Jan. 1, 1957 to Dec. 31, 1957	244,143.73	111,291.98	759,204.20	984,162.66	917,581.85

n.l. Not listed
[a] This includes $4,340,434.18 from sale of investment securities.
[b] "Dues and assessments"
[c] Plus $66,564.62 for "depreciation reserve"
[d] Plus $440,514.50 for "per capita tax—regional fund"
[e] General fund only
[f] Not full calendar year as union created in March by merger of United Paperworkers and International Brotherhood of Paper Makers
[g] Plus $196,308.56 balance on hand general fund Paper Makers, plus $112,051.92 balance on hand general fund Paperworkers
[h] Includes initiation fees
[i] Includes accounts payable and surplus reserves
[j] Plus $183,355.80 "deferred income—per capita tax receipts"

Consumer Prices Higher Still

After a look at the April index and why it's still rising, newspaper and magazine prices, over the last five years, are examined

THE RETAIL PRICE LEVEL, as measured by THE CONFERENCE BOARD's consumer price index, was still moving upward in April, 1958. Although price weakness continued to prevail in the durable goods sector, higher food, service and apparel costs pushed the all-items index for the United States up to 107.2 (1953=100), which was 0.4% above March, 1958, and 3.2% above year-ago levels.

The purchasing power of the consumer dollar declined to 93.2 cents (1953 dollar=100 cents). This was 0.4 cent below the March, 1958, value and 3.0 cents below the April, 1957, figure.

Over the month, food costs rose 1.1% and apparel and sundries were up 0.2% each. Housing and transportation costs, on the other hand, remained unchanged from the previous month's level.

The Increases

Higher food costs, as in preceding months, provided the main force in the upward movement of the general price level. Fruits and vegetables, still in short supply because of the winter freezes in the South, registered a 4.2% price hike. Within the group, fresh fruits, fresh vegetables (especially potatoes), and frozen fruits posted the largest advances. Frozen vegetables, however, were somewhat cheaper over the month.

The meat, fish and poultry index also rose at a substantial rate; it was up 2.3%. Beef production, well below year-ago levels, and a seasonal decline in pork supplies resulted in hefty price hikes for these meats. Poultry prices also were considerably higher. And a slight advance in the cereal and bakery products index augmented these increases.

The remaining food group registered declines. The dairy products and eggs index was down 1.1% as milk and butter, still reflecting a reduction in price supports, and eggs were considerably cheaper. The "other food" group moved 0.3% lower, with coffee prices down 1.1%.

The apparel index, after five months of stability, moved higher in April. The men's apparel sector rose 0.3% under the impact of seasonal advances for several outerwear items. And clothing service charges were also slightly higher. Women's clothing costs were unchanged from the preceding month.

Higher charges for medical and personal care and recreation caused the rise in the sundries index.

The housing and transportation indexes both were unchanged as a result of divergent price movements for goods and services. Within the housing group, service items such as rent, gas rates and household operation charges all moved higher, while goods such as housefurnishings and fuel declined.

Transportation showed a similar picture. New as well as used cars were cheaper over the month, with new cars registering the largest price decline. Public transportation charges, on the other hand, moved up sufficiently to counterbalance these declines.

Prices a Year Ago

Compared with a year ago, consumers had to pay more for all major commodity and service groups. Food registered the largest price increase—7.0%. As in the monthly change, the increase in food costs was caused primarily by considerable price advances for the meat, fish and poultry as well as the fruits and vegetable groups. The former rose 13.7%, with beef costing 22.0% more; the latter was up 14.3%, with frozen fruits and potatoes advancing 25.5% and 25.2% respectively. These increases were partially offset by price reductions for coffee and fats and oils.

The 3.1% advance in the sundries index was the result of increases in all subgroups. Among these, personal care registered the largest increase of 3.9%, while recreation costs, up 1.9%, advanced the least.

Housing registered a relatively modest increase of 1.3%. The main hikes came for service items. Gas rates were up 4.7%, household operations 3.3% and rents climbed 2.3%. Furnishings and equipment, a group consisting of goods only, remained unchanged from April, 1957.

Clothing cost 1.1% more than a year ago, primarily because of the 1.1% higher price tags on women's apparel and a 2.9% increase in apparel service charges. Men's clothing costs were up only a slight 0.4% over the year.

A 5.1% increase in public transit rates provided the main force in the 1.0% rise of the transportation index. While new car prices dropped 4.6% from November to April, they still were 1.1% above the year-ago level. However, used car prices fell 1.4% below April, 1957.

A LOOK AT NEWSPAPER AND MAGAZINE PRICES

The cost of reading newspapers and magazines[1] in the United States has increased 14.7% since 1953;

[1]Newsstand prices for both newspapers and nationally circulated family-type magazines.

this is about twice the advance registered by the general price level. This means that the share of the total consumer dollar accounted for by newspaper reading has increased from 0.8 cent in 1953 to 0.9 cent in 1958. Rising costs of production were a major factor in this increase.

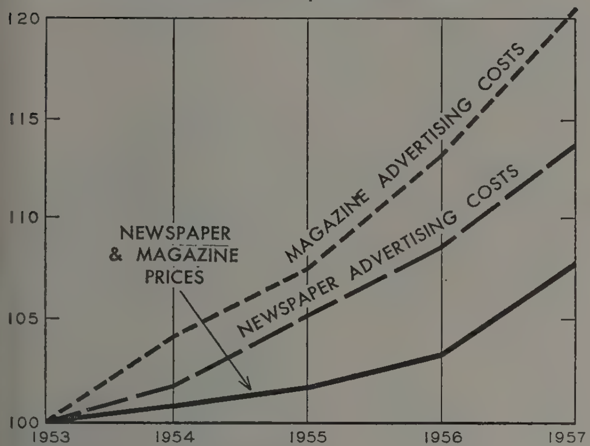
Among the costs, for example, wages appear to have risen more than sales prices, as average hourly earnings for production and related workers in the newspaper industry increased 16.5% and those in the periodicals industry 17.0% since 1953. As wages have moved up, average weekly hours worked in the industries have decreased somewhat over the four-year period.

The price of newsprint, another important cost component, was stable between 1953 and 1955, according to the Bureau of Labor Statistics wholesale price index; however, between 1953 and March, 1956, the index rose 3.8% and in February, 1958, it stood 7.2% above the 1953 level.

Increases in advertising rates have had the effect of delaying but not eliminating increases in the price of newspapers and magazines. As Chart 1 shows, advertising rates generally increased before newsstand prices were raised. However, it was only a matter of time before the latter followed.

Chart 1: Comparative Movements of Advertising Costs and Magazine Prices

Index Numbers, 1953=100



Sources: *Printer's Ink*; The Conference Board

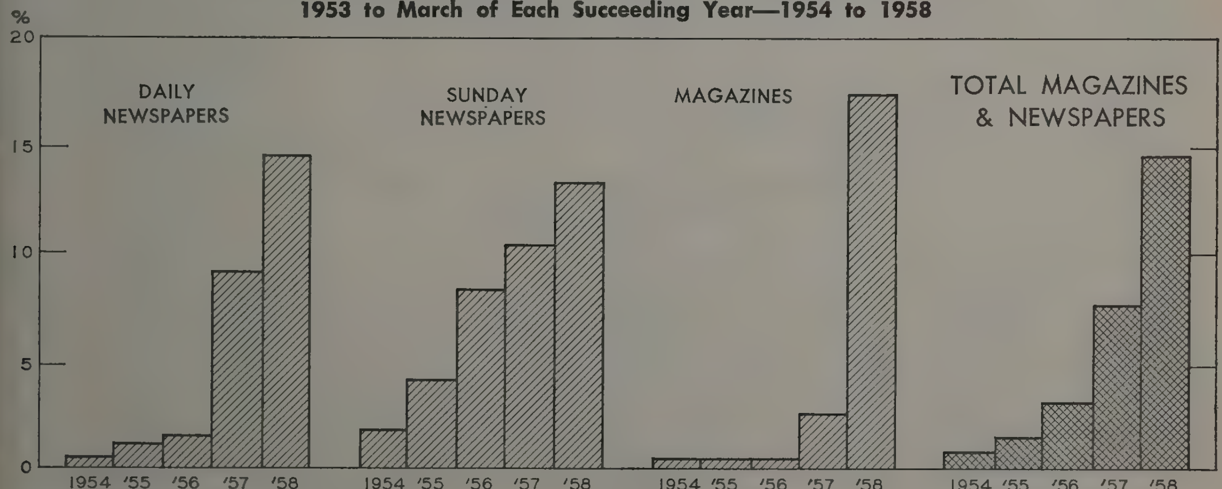
A Closer Look at Prices

The price index for newspapers and magazines advanced only slightly from 1953 to 1955. This was the result of gradual increases in the price for Sunday newspapers; daily newspaper prices remained relatively stable. The increase in advertising rates during that period may have been a major factor in this comparative stability.

It was after 1955 that newspaper prices registered large jumps. During 1956, Sunday newspaper prices increased 4.1% and daily newspaper prices were up 0.4%. In 1957, however, the daily newspaper prices increased 7.4%, while Sunday prices advanced only 1.8%. As for magazines, the big price increase occurred recently: magazine prices were up 14.3% between early 1957 and early 1958. This increase represents 82.0% of the total increase between 1953 and 1958.

Along with the sharp rise in the index for daily and Sunday newspapers, it should be noted that of the forty cities surveyed for the consumer price index, twenty-two cities experienced newspaper price changes between 1953 and 1958. Total circulation in these cities advanced 0.5%; daily circulation was up 4.8%

Chart 2: Cumulative Changes in Newspaper and Magazine Prices from 1953 to March of Each Succeeding Year—1954 to 1958



Source: The Conference Board

Consumer Price Index—United States

Cities over 50,000 population
1953 = 100

	ALL ITEMS	FOOD						HOUSING				
		Total	Meat, Fish, Poultry	Cereal, Bakery Products	Dairy Products, Eggs	Fruits, Vegetables	Other Food at Home	Total	Rent	Fuel, Power, Water		
										Total	Gas	Electricity
1956 November	103.2	100.5	93.5	106.6	99.7	102.1	110.1	103.6	108.5	105.3	106.8	102.4
December	103.2	100.5	92.6	106.8	99.1	103.3	110.4	103.7	108.6	105.5	106.5	102.4
1956 Annual Average	101.9	99.0	90.7	105.6	96.8	105.2	107.8	102.9	107.8	105.0r	107.7r	102.1
1957 January	103.4	100.2	91.7	107.1	97.8	104.1	110.8	104.5	108.7	107.8	109.5	102.2
February	103.6	100.5	92.4	107.7	97.2	104.8	111.1	104.8	108.9	108.6	109.5	102.2
March	103.7	100.4	92.5	108.1	96.4	104.2	111.1	105.2	108.9	108.7	109.6	102.2
April	103.9	100.6	93.1	108.6	95.6	105.2	111.0	105.4	109.4	108.8	109.4	102.2
May	104.1	101.1	93.9	108.9	94.7	108.7	110.2	105.4	109.5	108.5	109.5	102.3
June	104.5	102.0	95.7	109.3	94.0	111.3	110.0	105.5	109.6	108.3	109.4	102.4
July	104.8	102.8	97.2	109.6	95.0	111.9	110.0	105.5	110.1	106.6	106.7	102.7
August	105.1	103.5	99.9	109.8	97.4	108.2	110.0	105.5	110.2	106.4	106.8	102.7
September	105.3	103.6	100.3	109.9	99.6	105.4	110.0	105.7	110.3	106.6	107.0	102.7
October	105.4	103.5	99.2	110.2	102.0	104.0	109.0	106.0	110.9	106.9	106.9	102.7
November	105.9	103.5	97.9	110.6	103.4	104.9	108.7	106.1	111.0	107.3	108.4	102.7
December	106.0	103.6	97.8	110.7	103.4	105.3	108.4	106.3	111.1	107.4	108.4	102.7
1957 Annual Average	104.6	102.1	96.0	109.2	98.0	106.5	110.0	105.5	109.9	107.7	108.4	102.5
1958 January	106.3	104.5	99.3	110.9	102.5	108.7	108.5	106.8	111.4	110.1	113.6	103.1
February	106.6	105.4	101.8	111.1	100.9	111.8	108.6	106.9	111.6	110.0	113.7	103.3
March	106.8	106.4	103.5	111.2	100.9	115.4	108.5	106.8	111.6	110.2	114.2	103.3
April	107.2	107.6	105.9	111.4	99.8	120.2	108.2	106.8	111.9	109.8	114.5	103.3

	HOUSING (continued)		APPAREL			TRANSPORTATION	SUNDRIES	PURCHASING VALUE OF DOLLAR	REBASED INDEXES		
	Furnishings, Equipment	Other Household Operations	Total	Men's Apparel	Women's Apparel				All Items (January 1939=100)	Purchasing Value of January, 1939 Dollar	All Items (1947-49 =100)
1956 November	99.5	103.7	100.7	102.0	98.3	107.7	105.2	96.9	187.3	53.4	117.4
December	99.8	103.8	100.7	102.1	98.2	107.9	105.4	96.9	187.5	53.3	117.5
1956 Annual Average	99.3	102.8	100.0	100.8	98.2	105.0	104.2	98.1	185.1	54.0	116.0
1957 January	99.8	104.5	100.8	102.3	98.2	107.8	105.5	96.7	187.8	53.3	117.7
February	100.0	104.8	100.9	102.3	98.4	107.7	105.8	96.5	188.2	53.1	117.9
March	100.4	105.2	101.0	102.4	98.5	107.3	106.1	96.4	188.4	53.1	118.1
April	100.5	105.3	101.1	102.5	98.5	107.4	106.3	96.2	188.7	53.0	118.3
May	100.4	105.5	101.2	102.6	98.5	107.4	106.5	96.0	189.1	52.9	118.5
June	100.5	105.6	101.2	102.6	98.5	107.5	106.7	95.7	189.7	52.7	118.9
July	100.4	105.9	101.2	102.6	98.4	107.6	107.2	95.4	190.3	52.6	119.2
August	100.3	106.4	101.5	102.7	98.7	107.6	107.7	95.1	190.9	52.4	119.6
September	100.8	106.6	101.8	102.8	99.3	107.6	108.0	95.0	191.2	52.3	119.9
October	101.0	107.1	102.0	102.9	99.5	107.4	108.3	94.9	191.4	52.2	120.0
November	101.0	107.3	102.0	103.0	99.5	110.3	108.6	94.5	192.2	52.0	120.5
December	101.0	107.8	102.0	103.0	99.5	110.2	108.9	94.4	192.4	52.0	120.6
1957 Annual Average	100.5	106.0	101.4	102.6	98.8	108.0	107.1	95.6	190.0	52.6	119.1
1958 January	101.0	108.1	102.0	102.9	99.5	109.6	109.1	94.0	193.1	51.8	121.0
February	101.0	108.4	102.0	102.7	99.5	108.8	109.3	93.8	193.5	51.7	121.3
March	100.7	108.6	102.0	102.6	99.6	108.5	109.4	93.6	194.0	51.5	121.6
April	100.5	108.8	102.2	102.9	99.6	108.5	109.6	93.2	194.8	51.3	122.0

Consumer Price Index—United States

Annual Averages 1914-1957[a]
1953 = 100

Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar
1914	40.3	248.1	1925	67.8	147.5	1936	54.8	182.5	1947	84.7	118.1
1915	40.0	250.0	1926	68.3	146.4	1937	57.2	174.8	1948	90.1	111.0
1916	43.0	232.6	1927	66.9	149.5	1938	55.7	179.5	1949	88.8	112.6
1917	51.3	194.9	1928	65.9	151.7	1939	55.0	181.8	1950	90.0	111.1
1918	59.5	168.1	1929	65.6	152.4	1940	55.4	180.5	1951	97.0	103.1
1919	67.6	147.9	1930	63.4	157.7	1941	58.3	171.5	1952	99.5	100.5
1920	77.8	128.5	1931	57.0	175.4	1942	64.5	155.0	1953	100.0	100.0
1921	66.8	149.7	1932	50.9	196.5	1943	68.2	146.6	1954	100.2	99.8
1922	63.6	157.2	1933	49.0	204.1	1944	69.1	144.7	1955	100.3	99.7
1923	65.4	152.9	1934	51.8	193.1	1945	70.2	142.5	1956	101.9	98.1
1924	66.1	151.3	1935	53.6	186.6	1946	74.9	133.5	1957	104.6	95.6

a Indexes from 1914 through 1919 are for the month of July only and are not annual averages.
r Revised.

Consumer Price Indexes for Individual Cities

NOTE: These indexes show changes in consumer prices only. They do NOT show intercity differences in price level or standard of living.

Cities Surveyed Monthly

	1953 = 100			Percentage Changes	
	Apr. 1958	Mar. 1958	Apr. 1957	Mar. 1958 to Apr. 1958	Apr. 1957 to Apr. 1958
Chicago					
All Items	110.2	110.0	106.0	+0.2	+4.0
Food	110.4	109.4	101.8	+0.9	+8.4
Housing	111.2	111.3	110.0	−0.1	+1.1
Apparel	102.6	102.2	101.2	+0.4	+1.4
Transportation	112.1	112.9	107.4	−0.7	+4.4
Sundries	111.2	111.3	108.0	−0.1	+3.0
Houston					
All Items	107.5	107.2	103.7	+0.3	+3.7
Food	108.4	107.3	101.3	+1.0	+7.0
Housing	107.0	106.8	104.4	+0.2	+2.5
Apparel	103.4	103.4	102.6	0	+0.8
Transportation	110.2	110.2	106.9	0	+3.1
Sundries	107.4	107.5	104.4	−0.1	+2.9

	1953 = 100			Percentage Changes	
	Apr. 1958	Mar. 1958	Apr. 1957	Mar. 1958 to Apr. 1958	Apr. 1957 to Apr. 1958
Los Angeles					
All Items	107.7	106.7	104.4	+0.9	+3.2
Food	108.1	106.5	101.3	+1.5	+6.7
Housing	107.3	106.9	104.7	+0.4	+2.5
Apparel	102.7	102.6	101.4	+0.1	+1.3
Transportation	107.1	106.6	108.6	+0.5	−1.4
Sundries	111.0	109.0	106.6	+1.8	+4.1
New York					
All Items	107.9	107.6	103.9	+0.3	+3.8
Food	110.0	108.8	100.9	+1.1	+9.0
Housing	106.4	106.6	105.3	−0.2	+1.0
Apparel	100.6	100.6	99.0	0	+1.6
Transportation	117.1	117.2	116.2	−0.1	+0.8
Sundries	107.3	107.3	105.0	0	+2.2

Cities Surveyed Quarterly

	1953 = 100			Percentage Changes	
	Apr. 1958	Jan. 1958	Apr. 1957	Jan. 1958 to Apr. 1958	Apr. 1957 to Apr. 1958
Birmingham					
All Items	105.9	104.6	102.6	+1.2	+3.2
Food	106.7	103.3	99.0	+3.3	+7.8
Housing	103.1	103.2	103.1	−0.1	0
Apparel	103.2	103.0	102.3	+0.2	+0.9
Transportation	102.9	99.8	97.7	+3.1	+5.3
Sundries	113.4	113.3	111.3	+0.1	+1.9
Bridgeport					
All Items	106.7	105.5	104.2	+1.1	+2.4
Food	107.3	103.4	100.6	+3.8	+6.7
Housing	105.4	105.8	105.2	−0.4	+0.2
Apparel	100.5	101.1	100.8	−0.6	−0.3
Transportation	111.1	110.0	108.1	+1.0	+2.8
Sundries	108.7	108.1	107.6	+0.6	+1.0
Cincinnati					
All Items	107.6	107.1	104.8	+0.5	+2.7
Food	106.4	104.1	100.2	+2.2	+6.2
Housing	107.8	108.2	106.8	−0.4	+0.9
Apparel	105.0	104.8	102.7	+0.2	+2.2
Transportation	104.2	105.7	105.9	−1.4	−1.6
Sundries	113.9	113.0	109.2	+0.8	+4.3
Erie					
All Items	108.2	107.3	105.0	+0.8	+3.0
Food	108.7	106.2	102.1	+2.4	+6.5
Housing	107.0	106.9	105.6	+0.1	+1.3
Apparel	103.1	102.2	101.7	+0.9	+1.4
Transportation	106.4	107.0	105.9	−0.6	+0.5
Sundries	113.2	112.8	110.2	+0.4	+2.7
Grand Rapids					
All Items	109.8	108.9	106.0	+0.8	+3.6
Food	112.4	109.1	104.3	+3.0	+7.8
Housing	107.8	107.4	105.9	+0.4	+1.8
Apparel	104.9	105.1	103.7	−0.2	+1.2
Transportation	109.0	110.0	108.0	−0.9	+0.9
Sundries	112.8	112.6	108.6	+0.2	+3.9
Minneapolis-St. Paul					
All Items	108.1	107.7	105.0	+0.4	+3.0
Food	111.4	108.7	104.0	+2.5	+7.1
Housing	107.8	107.4	106.3	+0.4	+1.4
Apparel	102.2	102.4	101.9	−0.2	+0.3
Transportation	102.3	106.4	104.8	−3.9	−2.4
Sundries	110.1	109.2	105.0	+0.8	+4.9

	1953 = 100			Percentage Changes	
	Apr. 1958	Jan. 1958	Apr. 1957	Jan. 1958 to Apr. 1958	Apr. 1957 to Apr. 1958
Newark-N. E. N. J.					
All Items	106.9	106.0	102.9	+0.8	+3.9
Food	109.1	106.0	100.9	+2.9	+8.1
Housing	107.4	107.5	104.4	−0.1	+2.9
Apparel	101.3	100.9	100.4	+0.4	+0.9
Transportation	104.8	104.3	104.0	+0.5	+0.8
Sundries	107.3	107.6	104.8	−0.3	+2.4
New Orleans					
All Items	107.3	106.4	104.2	+0.8	+3.0
Food	110.9	107.1	103.2	+3.5	+7.5
Housing	106.0	106.3	105.2	−0.3	+0.8
Apparel	102.4	102.0	102.0	+0.4	+0.4
Transportation	103.2	106.4	102.8	−3.0	+0.4
Sundries	108.8	108.2	107.0	+0.6	+1.7
Philadelphia					
All Items	106.3	105.1	103.2	+1.1	+3.0
Food	106.6	103.8	99.4	+2.7	+7.2
Housing	106.5	106.1	104.7	+0.4	+1.7
Apparel	102.8	102.0	101.9	+0.8	+0.9
Transportation	108.3	107.1	107.5	+1.1	+0.7
Sundries	106.7	106.6	105.8	+0.1	+0.9
Roanoke					
All Items	103.6	103.5	101.2	+0.1	+2.4
Food	102.1	100.5	96.6	+1.6	+5.7
Housing	103.9	103.9	103.2	0	+0.7
Apparel	99.8	99.5	99.2	+0.3	+0.6
Transportation	103.3	106.2	105.8	−2.7	−2.4
Sundries	108.4	107.8	102.6	+0.6	+5.7
Seattle					
All Items	107.8	106.3	104.4	+1.4	+3.3
Food	112.5	107.3	104.0	+4.8	+8.2
Housing	105.1	105.1	104.0	0	+1.1
Apparel	102.1	102.1	102.4	0	−0.3
Transportation	105.2	105.6	102.4	−0.4	+2.7
Sundries	110.9	110.0	107.8	+0.8	+2.9
Syracuse					
All Items	106.2	104.6	103.1	+1.5	+3.0
Food	106.9	102.2	99.0	+4.6	+8.0
Housing	106.7	106.6	105.4	+0.1	+1.2
Apparel	103.3	103.4	102.5	−0.1	+0.8
Transportation	107.4	105.3	105.5	+2.0	+1.8
Sundries	105.5	105.3	104.4	+0.2	+1.1

but Sunday circulation fell 3.1%. In the eighteen cities where newspaper prices were stable, there was an increase in daily circulation of 6.0% and in Sunday paper circulation of 5.3%, resulting in an over-all circulation gain of 5.6%.

LEONA D. LEWIS
Division of Consumer Economics

Labor Press Highlights

(Text continued from page 230)

4. Union Security: Where it is not already part of the contract, the Steelworkers want a full union shop.

5. Contract Duration: Since basic steel and other major Steelworker contracts expire in June, 1959, the union wants the maximum duration of any contract to be one year.

6. Geographical Differences: The Steelworkers' goals include elimination or "substantial" reduction of all remaining geographical wage differentials.

7. Company-wide Contracts: Every effort, states the policy declaration, shall be made to negotiate a master agreement for each company with uniform expiration dates, and uniform wages and benefits.

Company Profits in Collective Bargaining

Company profits normally play only a minor role in collective bargaining negotiations, declares a recent issue of the AFL-CIO's *Collective Bargaining Report.* It points out that when business is good, companies rarely concede that this in itself justifies an extra wage increase; their arguments usually center around willingness to pay rather than ability to pay.

Unions for their part may indicate to a company that it is in a good position to make a sizable wage offer, but the unions usually do not consider company profits the key factor in determining wages. More important to a union, according to the AFL-CIO *Report,* are "such basic considerations as the amount of wage increase needed to make up for increases in the cost of living, productivity advances, the need for improvement of living standards, and the need for correction of wage inequities."

When business is on the downswing, however, companies refer to their profit position in negotiations, says the *Report.* Under these circumstances, unions first try to determine if a company's continued existence is actually threatened. If there has merely been a drop in company profits, unions do not consider that this warrants limiting an otherwise justified wage increase. Unions also look into such matters as whether the downward trend may be only a short-run variation in profit, or whether the company is using a general economic recession rather than a drop in its own profits as the basis for its arguments.

What happens when a union determines that a company really is in serious financial straits? Sometimes, says the *Collective Bargaining Report,* unions have no practical alternative to accepting increases smaller than would otherwise be justified. Even here, however, the *Report* warns that unions should see first if there are other methods of aiding the company, and they must determine whether a substandard wage settlement will injure the union in its negotiations elsewhere.

The *Collective Bargaining Report* concludes with a warning to unions using a company's published earnings reports to determine the company's financial position. Such financial reports, declares the publication, show only selected figures of past operations. They do not give information about future earnings potential, nor do they show the probable effects of a wage increase upon a company's future earnings. Moreover, says the *Report,* profits can be understated. Therefore, rather than considering profits as a per cent of sales, unions should use profits as a per cent of net worth as the most appropriate figure for bargaining purposes.

Unions Call for Protection from Automation

"America is suffering from its first automation recession," states the *Railway Clerk* in describing the proceedings of a recent conference on "Automation and Technological Change," sponsored by the AFL-CIO Industrial Union Department. At this meeting, a number of speakers blamed automation for reduced employment in many basic industries.

To protect their members from hardships stemming from a changeover to automatic machines, several unions have called for action by the government and labor. For example, the Communications Workers of America (*The CWA News*) has called upon the Department of Labor to set up a separate bureau to cope with the problem of automation. And a spokesman for the International Union of Electrical Workers has urged unions to include job security clauses in their contract demands.

One example of such a job security clause is that cited in *Steel Labor.* This clause, the Steelworkers' union asserts, provides protection for those covered by Steelworker white collar contracts. It reads as follows:

> "When the installation of mechanical or electronic equipment will have an effect on the job status of employees, management shall review the matter with the local union grievance committee in advance of such installation.
>
> "In the event such mechanical or electronic equipment is installed, management shall provide reasonable training arrangements for the employees affected by such installation in order that such employees may have an opportunity to become qualified for available jobs."

MARIE P. DORBANDT
Division of Personnel Administration

Wage and Fringe Developments in Bargaining

The new two-year agreement between Republic Aviation and the Machinists' union grants pay for unused sick leave as a curb to absenteeism

EMPLOYEES who are laid off, retired, or inducted into the armed forces will be paid for any unused portion of their annual five days' sick leave under the new two-year agreement between Republic Aviation Corporation in Farmingdale, Long Island, and the International Association of Machinists.

This payment, separate and distinct from a severance allowance, is aimed at curtailment of absenteeism. Under the previous agreement, any unused sick leave was paid to the employee if he was still in the employ of the company at the end of the year. However, if the employee was separated, he was not paid for any unused sick time. As a consequence, many employees immediately used up their sick time rather than risk losing it.

The new contract also provides an immediate wage increase of from 10 cents to 14 cents an hour, with another 10 cent hourly boost effective on the contract anniversary date. A new job classification, added at the top of the wage scale, provides a top-level range of from \$2.77 to \$3.10 an hour. Shift differentials for all grades are increased 2 cents an hour, with the new top grade receiving a shift premium of 36 cents.

A cost of living clause in the new contract permits quarterly adjustments of a penny an hour for each half point change in the BLS consumer price index.

Another provision of this agreement permits fifteen-year employees during a layoff to exercise bumping privileges in the classification they held prior to their present classification. The contract also combines a large number of job classifications so that employees will have a wider field to exercise their seniority for both layoff and promotion; at the same time it gives the company greater flexibility of manpower.

Christmas Bonus Added to Base Rates

Christmas bonus payments, which have been made over the last several years to hourly wage employees, have been abandoned by the Hercules Powder Company at its Parlin, New Jersey, plant. The new contract between the company and the Chemical Workers Union adds the bonus amount (two weeks' pay) to the base rates. This has resulted in a 3.84% increase in wage rates (two weeks' pay divided by fifty-two), and averages about 9.5 cents per hour. In addition, a penny more is provided, bringing the total average hourly increase to 10.5 cents.

Even though the decision to grant these bonus payments was determined each year by the board of directors on the basis of earnings, the company's management believed that since the payments had been made for several years, employees might be led to the mistaken belief that they were an assured part of income. As a means of reconciling the union's unwillingness to give the company credit for these bonus payments, and the company's unwillingness to guarantee in advance that profits would be sufficient to meet a year-end bonus, the parties agreed to add the amount of the bonus to going wage rates.

The new agreement also provides for increased premiums in the basic medical plan. And vacations are liberalized to provide three weeks after ten years. The new vacation schedule is two weeks for one year; three for ten; and four for twenty-five.

Sugar Contracts Provide GAW

Plants of the American Sugar Refining Company at Baltimore, Maryland and Chalmette, Louisiana, have concluded one-year agreements guaranteeing the Packinghouse Workers employment equivalent to fifty weeks of forty hours each. Under the terms of the agreements, employees are assured at least 2,000 hours of work at base pay, or an amount equal to the difference between the 2,000 hours and the number of hours actually worked, calculated at the employee's regular rate of pay (base plus job and shift differentials, if any). However, only eight hours per day can be charged against the 2,000 hours. Overtime hours do not count against it, except for the first eight hours worked on an overtime day, such as Saturday or Sunday.

The 2,000-hour guarantee was first negotiated at the Baltimore refinery in 1952. Since then, most companies in the eastern segment of the industry have adopted the plan. However, this is the first time such a clause has been negotiated at the Chalmette plant, and it is the first such plan negotiated in the southern sugar refinery industry.

The agreement at the Baltimore plant grants a wage increase of 5.5%, with men receiving an hourly hike of 13 cents and women receiving 11 cents. In addition, job differential increases for some employees range from 2 cents to 5 cents an hour. Also, the new contract

(Text continued on page 240)

Significant Pay Settlements

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Durables Manufacturing		
1. Food Machinery and Chemical Corp. with *IAM* at San Jose, Calif. 1,536 hourly Effective 4-1-58. Wage reopener Contract expires 4-1-59	From 10¢ to 20¢ per hour general increase	No change
2. Johns-Manville Products Corp. with *Chemical Workers* at Watson, Calif. 550 hourly Effective 3-17-58. Contract expired New contract: 1 year	4% average increase (9¢ per hour) Additional 4¢ to mechanical employees	No change
3. Minneapolis-Moline Co. with *UAW* at Minneapolis and Hopkins, Minn. 2,000 hourly Effective 11-1-58 (wages), 1-1-59 (vacations), 4-17-58 (remainder). Signed 4-17-58. Contract expired New contract: 18 months	10¢ per hour general increase (5% average)	Revised: Vacation and holiday pay
4. Ottawa Silica Co. and Wedron Silica Co. with *Glass & Ceramic Workers* at Ottawa and Wedron, Ill. 325 hourly at Ottawa and 125 hourly at Wedron Effective 4-7-58. Contracts expired New contracts: 1 year	5¢ per hour general increase	No change
5. Republic Aviation Corp. with *IAM* at Farmingdale, N.Y. 7,000 hourly Effective 4-1-58. Contract expired New contract: 2 years	From 10¢ to 14¢ per hour general increase Deferred increase: 10¢ per hour 4-1-59 Shift bonus increased by 2¢ per hour New grade added to top of wage scale with rate range of $2.77-$3.10 Cost of living adjustment clause	Revised: Sick leave pay
Chemicals and Allied Products		
6. Allied Chemical Corp. with *District 50, UMWA,* at Detroit, Mich. 825 hourly Effective 3-11-58. Contract expired New contract: 2 years	9¢ per hour general increase Cost of living adjustment	Revised: Life insurance, vacation pay
Allied Chemical Corp. with *District 50, UMWA,* at Elberta and Hopewell, Va. 1,323 hourly Effective 1-11-58 (Hopewell) and 2-11-58 (Elberta). Contract expired at Elberta; duration 1 year. Contract reopened at Hopewell, expires 1-11-59	8.5¢ per hour general increase (at Hopewell) 6.4¢ per hour general increase (at Elberta)	Revised: Basic medical plan, vacations, holidays
7. Bakelite Co. (Div. Union Carbide Corp.) with *Chemicals & Crafts Union, ind.,* at Bound Brook and Bloomfield, N.J. 1,800 hourly Effective 4-2-58. Contract expired New contract: 2 years. Contract reopens 4-59	8¢ per hour general increase (3.5% average) Shift premium increased to 9¢ (was 8¢) for second shift and 18¢ (was 16¢) for third shift	No change
8. Hercules Powder Co. with *Chemical Workers* at Parlin, N.J. 1,125 hourly Effective 3-12-58. Contract expired New contract: 1 year	1¢ per hour general increase, plus 9.5¢ per hour added to base rates through absorption of Xmas bonus	Revised: Basic medical plan and vacatio
9. Lever Bros. Co. with *Chemical Workers* at Los Angeles, Calif.; St. Louis, Mo.; Edgewater, N.J.; Baltimore, Md.; and Cambridge, Mass. 2,000 hourly Effective 3-14-58. Contract expired New contract: 1 year	9¢ per hour general increase	Revised: Vacation pay

Significant Pay Settlements—continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Lever Bros. Co. with *Oil, Chemical and Atomic Workers* at Hammond, Ind. 1,000 hourly (60 salaried). Same adjustment as for Chemical Workers	Same as above	Same as above
Monsanto Chemical Co. with *Metal Trades Council* at Texas City, Tex. 1,100 hourly Effective 3-1-58. Contract expired New contract: 2 years. Next reopening 3-1-59	8¢ per hour general increase Additional rate adjustments for 2 job classifications	Revised: Holiday pay
l and Allied Products		
American Sugar Refining Co. with *Packinghouse Workers* at Chalmette, La. 875 hourly Effective 2-1-58 (signed 3-31-58). Contract expired New contract: 1 year	15¢ per hour general increase (7.8% average) Job differential increase ranging from 2¢ to 10¢ per hour	Added: Health insurance for retired and annual wage guarantee Revised: Basic medical plan, insured disability pay, and holiday pay
American Sugar Refining Co. with *Packinghouse Workers* at Baltimore, Md. 850 hourly (10 salaried) Effective 12-1-57 (signed 3-3-58). Contract expired New contract: 1 year	13¢ per hour general increase to men and 11¢ per hour general increase to women (5.5% average) Job differential increase ranging from 2¢ to 5¢ per hour	Added: Health insurance for retired Revised: Insured disability pay
National Sugar Refining Co. with *Packinghouse Workers* at Long Island City, N.Y. 1,000 hourly (50 salaried) Effective 1-1-58 (signed 2-17-58). Contract expired New contract: 1 year	5.5% general increase (minimum increase 11¢ per hour)	Revised: Basic medical plan and insured disability pay
r and Allied Products		
National Container (Div. Owens-Illinois Glass Co.) with *Papermakers and Paperworkers* at Jaite, Ohio. 100 hourly Effective 3-1-58. Contract expired New contract: 1 year	5% general increase (8¢ per hour average)	Added: Life insurance for retired Revised: Basic medical plan, life insurance, vacation pay
Sealright-Oswego Falls Corp. with *Pulp, Sulphite and Paper Mill Workers* at Fulton, N.Y. 1,830 hourly (711 salaried) Effective 3-21-58. Contract expired New contract: 1 year	5¢ per hour general increase (3% average) Additional 5¢ per hour to nonincentive "A" rate mechanics, machinists, electricians and carpenters	Revised: Basic medical plan
r Nondurables		
Brown & Williamson Tobacco Co. with *Tobacco Workers* at Louisville, Ky. 2,500 hourly Effective 4-1-58. Contract expired New contract: 2 years	7¢ per hour general increase (4% average) Deferred increase: 7¢ per hour effective 1959 Second shift differential, 5¢ per hour	Revised: Basic medical plan, vacation, holiday and jury duty pay
Sponge Rubber Corp. of America with *District 50, UMWA,* at Marietta, Ohio. 130 hourly Effective 3-10-58. Contract expired Reopening date 12-15-58 (wages)	14¢ per hour average: minimum 14¢; maximum 19¢	Added: Company paid sick leave, holiday pay, and paid funeral leave Revised: Major medical insurance and basic medical plan

SALARIED SETTLEMENTS

Illinois Bell Telephone Co. with *Communications Workers* at Chicago, Ill. 1,863 salaried Effective 3-30-58 (signed 4-8-58). Contract expired New contract: 13 months	4.4¢ per hour average increase: 2.6¢ per hour minimum; 5.3¢ maximum	No change

Significant Pay Settlements—continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
18. Lever Bros. Co. with *Oil, Chemical and Atomic Workers* at Hammond, Ind. 60 salaried Same as adjustment for hourly described in 9 above	Same as adjustment for hourly described in 9 above	Same as adjustment for hourly described above
19. National Sugar Refining Co. with *Packinghouse Workers* at Long Island City, N.Y. 50 salaried Same as adjustment for hourly described in 12 above	Same as adjustment for hourly described in 12 above	Same as adjustment for hourly described i above
20. New England Telephone & Telegraph Co. with *Telephone Workers, ind.,* in Maine, Massachusetts, Rhode Island, New Hampshire and Vermont. 12,300 salaried Effective 3-2-58. Contract expired New contract: 15 months	6.6¢ per hour average increase: 3.75¢ minimum; 8.75¢ maximum	No change
21. Ottawa Office Workers with *Glass & Ceramic Workers* at Ottawa, Ill. 105 salaried Effective 4-7-58. Contract expired New contract: 1 year	22.75¢ per hour general increase	No change
22. The Gannett Newspapers with *Newspaper Guild* at Rochester, N.Y. 125 salaried Effective 11-17-57 (signed 3-17-58). Contract expired New contract: 2 years	$5 per week general increase (4.4% average) Deferred increase: $3 per week 11-17-58 Workweek reduced to 37.5 hours (was 40) 11-1-57	Revised: Vacation pay
23. Sealright-Oswego Falls Corp. with *Pulp, Sulphite, and Paper Mill Workers* at Fulton, N.Y. 711 salaried Same as adjustment for hourly described in 14 above	Same as adjustment for hourly described in 14 above	Same as adjustment for hourly described i above

All unions are affiliated with the AFL-CIO unless otherwise indicated.

(Text continued from page 237)

sets a minimum hourly rate for male employees of $2.17 and a top rate of $2.72.

In the health and welfare area, the Baltimore contract increases maximum weekly sick benefits (by $5) to $45 for up to thirteen weeks. Hospital room and board and surgical coverage are extended to pensioners and their wives. The duration of these benefits is thirty days per year. Formerly, retirees were eligible only for benefits under the medical-expense plan. The pension and welfare plans are noncontributory.

At the Chalmette refinery, the general wage increase in the new agreement is 15 cents an hour (7.8% average). And job differential increases range from 2 cents to 10 cents. In addition to the same weekly sick benefits as those negotiated at the Baltimore plant, as well as extension of hospital and surgical coverage to pensioners and their wives, the Chalmette refinery also receives an increase in hospital room and board allowance. The new benefits are $10 a day for employees and $7 for dependents. Formerly the amount was $6 and $5 for these respective groups.

Other benefits include a tenth paid holiday (May 30), time and a half for Sunday work performed by seven-day workers, and increased supper allowances (to $1.50 from $1.25).

N. Beatrice Worthy
Division of Personnel Administration

Studies in Business Economics

No. 59—The Business Outlook, 1958
No. 58—Tax Reform and Tax Revision
No. 57—Economic Concentration Measures: Uses and Abuses
No. 56—Wage Inflation
No. 55—Statistical Handbook of the U.S.S.R.
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No. 33—Credit Policy: Recent European Experience
No. 32—Growth Patterns in Industry
No. 30—Strike Controls in Essential Industries
No. 29—Defense Economics—CEA Model
No. 28—Key Materials: Current Supply and Outlook

In the June Business Record

The Drop in Durables—The usual increase in new appropriation approvals from the fourth quarter to the first quarter of the new year was of less than seasonal magnitude, increasing only 28% against 50% in the same 1956-1957 quarters. Five hundred and eighty-six manufacturing companies are now providing the Board's quarterly survey of capital appropriations with basic figures—another new high in industry cooperation. The current survey is the eighth in a continuing series conducted by The Conference Board under the financial sponsorship of "Newsweek" magazine.

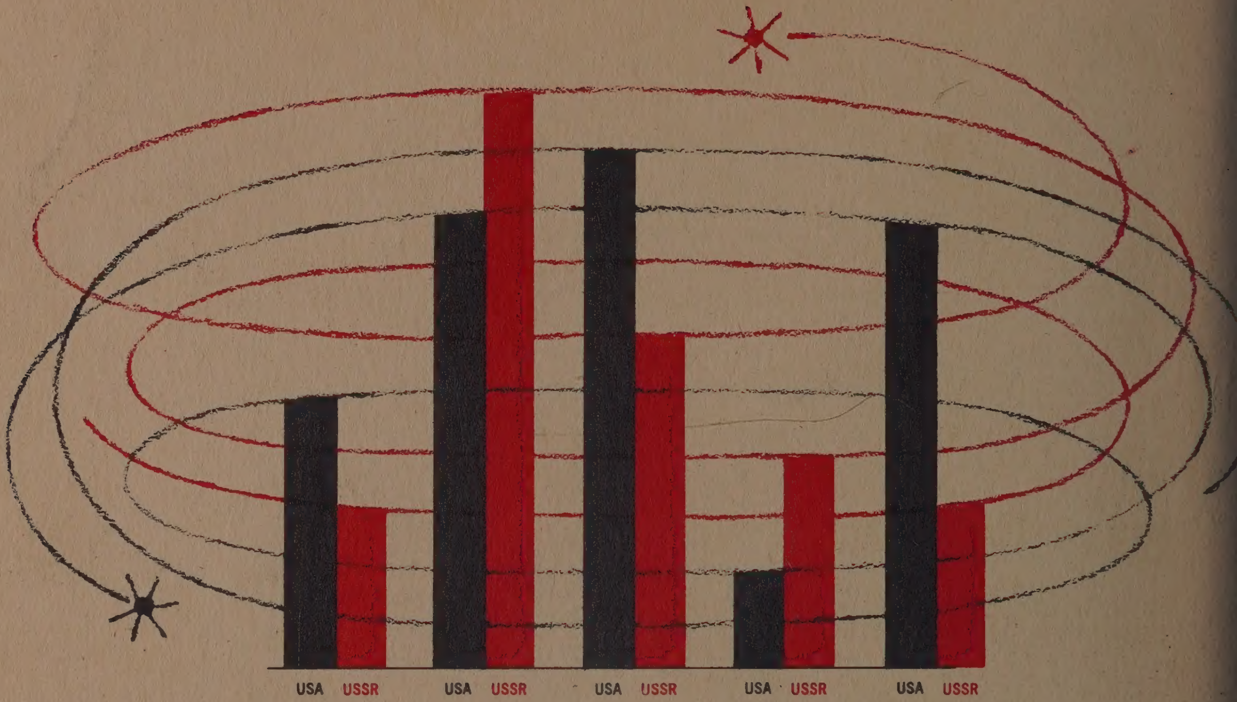
Business Breathing Spell—Regular reports on the housing market, steel, retail trade, and personal incomes all suggest that the general business trend had stopped declining in May, and that a plateau had been reached. The forces that will influence the course of business over the next six months are examined in "Business Highlights" for June.

Impact of Steel Stocks on Steel Buying—The current cutback in steel production has been considerably steeper than the drop in metal-fabricating output, according to a Conference Board series on quarterly changes in steel inventories in metal fabricating. When stocks of these users are effectually depleted, what effect will their enlarged demand on steel mills have on the steel industry's producing rate?

Sounding Business Executives on Business—About four out of five companies replying to the Board's questionnaire report that billings and new orders in the first quarter of 1958 were below those of the first quarter of 1957. Almost half of those answering the question say they have already passed the low in new orders and almost one-third have already touched bottom in billings. This monthly survey of business opinion also reveals when cooperators expect a marked upturn in their orders and shipments.

Published by THE CONFERENCE BOARD
460 Park Avenue, New York 22, N. Y.

PRINTED IN U.S.A.



POST-SPUTNIK BLUES?

For that letdown feeling that comes from being passed over by a one and a half ton satellite, may we suggest an antidote? In this case, it's facts. A cool appraisal of them, while not altogether soothing, is necessary if we are to determine what, if any, constructive action needs to be taken.

The Conference Board's Annual Chartbook—just published—graphically compares the data for the USA and the USSR in such important areas as producers' goods, agriculture, foreign trade and aid, health and education, military power, etc.

What do these data tell us? For one thing, they indicate that the Soviet Union has made significant strides in the production of capital goods, especially those supplying military needs; and, in the field of economic aid to less-developed countries, Russia has become a competitor to be reckoned with. To some extent *because* of this, the Russians produce only one automobile for every 52.5 cars that roll off American assembly lines; and the 1,000 square feet of living space contained in the average US home must accommodate twenty Soviet citizens.

"USA and USSR: Economic Comparisons" has just been mailed to all Associates. Extra copies are available at nominal prices. Make sure you have a copy of your own.

USA AND USSR: ECONOMIC COMPARISONS

1958 Annual Chartbook